REPUBLIKA E SHQIPËRISË

MINISTRIA E FINANCAVE
DHE EKONOMISË

Public Finance Management

Annual Monitoring Report

2021

PREAMBLE

The year 2021 was not easy not only for the Ministry of Finance and Economy, but also for other institutions. The crises that hit our country, the November 2019 earthquake and the Covid-19 pandemic made it difficult to achieve many objectives, including those of the Public Finance Management strategy, the effects of which continued during 2021. Many of the necessary legal improvements could not be finalized in time due to the restrictive measures of Covid-19, this explains the delays encountered during 2021. Recently, Albania is facing the energy crisis and the impact of the price increase, which has started to give its effects in the economy preventing the achievement of the established objectives.

However, the main challenge and priority during the past year was definitely the development of the economy and the delivery of better services to the citizens. This increasing accountability, transparency, efficiency and fiscal discipline in the planning and spending of public funds.

Despite the challenges, the Ministry of Finance and Economy, in cooperation with all parties involved in the implementation of the strategy, has increased efforts during 2021 to (i) Continue with fiscal consolidation; (ii) Mobilize the collection of tax and customs revenues; (iii) Settle and prevent arrears; (iv) Improve management of public investment projects, including Public Private Partnerships and concessions; (v) Ensure a better linkage of strategic plans with the Medium-Term Budget Program; (vi) Ensure a more structured and timely engagement with citizens, civil society organizations and academia in budget planning, monitoring and reporting; (vii) Strengthen the system of monitoring and implementation of internal control systems, reforming the system and the role of internal audit, through the improvement of the legal framework; and (viii) Increase efforts to improve the rate of implementation of the High State Control recommendations and findings.

After the temporary, inevitable and in fact adequate deviation from the consolidating fiscal policy during 2020 in the interest of managing the pandemic crisis, I am happy to share with you that for 2021, the public debt as a ratio to the Gross Domestic Product returned again and clearly to its downward trajectory, in accordance with the medium-term and long-term objectives of the fiscal policy, which definitely constitute one of the most fundamental components of public finance management. In 2021, public debt fell to 73.2% of GDP from the 74.5% that peaked in 2020.

Moreover, the year 2021 marks an improvement and increase in revenues from taxes and customs, and a decrease in informality as a result of the improvement of self-declaration. Arrears have been reduced and the supervisory role of the Ministry of Finance and Economy has been increased for the process of monitoring their stock, ensuring higher transparency based on reliable information generated by the Treasury system.

Also, the work done during 2021 is appreciable toward strengthening strategic planning and budget management at the local level; Improving the Annual Budget Execution Report, including Key Performance Indicators that are consistent with Albanian Financial Management Information System and financial information; Ensuring greater involvement of civil society and building their capacities through the organization of a series of online meetings. Efforts have also been made in revenue mobilization where, among others, the management of VAT refunds has been improved.

The legal framework in the field of public procurement has been improved, and the electronic system for the management of electronic complaints has already been established and is being implemented.

Progress has also been made in the drafting of legal acts and accounting standards, as well as in the building of a stronger financial management system and internal control environment. The implementation of the High State Control recommendations was increased, as well as there has been a significant increase in financial audits as a result of the high public interest in auditing sensitive issues.

However, there are still areas that require greater commitment and attention to reach the appropriate levels. The Ministry of Finance and Economy, in cooperation with the responsible units, will increase efforts to reduce the stock of arrears at the local level in order to strengthen financial management in local government; consult and finalize the medium-term revenue strategy; improve the quality of existing data on land, buildings and owners and increase the number of registered and invoiced buildings; reduce processing time of customs declarations; increase the total volume of the budget executed through Albanian Government Financial Information System in relation to the total amount of the budget executed by the central government; register public assets in Albanian Government Financial Information System; increase acceptance and implementation of internal and external audit recommendations, as well as to increase performance audits.

The Ministry of Finance and Economy strived and intends to establish new standards for increasing transparency in the planning and spending of public funds. This strategy continues to be the basis of a full commitment towards improving fiscal administration, tax collection and reducing informality in the economy. The strategy ensures an improved financial management system, in accordance with the legal framework and a higher level of control over public spending.

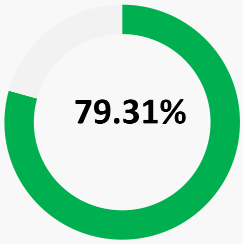
The Ministry of Finance and Economy as well as all other relevant institutions remain fully engaged in this process, with the maximum will to fulfill the objectives set in the Public Finance Management Strategy, definitely thanks to the very valuable support of our international partners, to whom we are very grateful for all their contributions in various forms.

THANK YOU!

Mrs. Delina IBRAHIMAJ
Minister of Finance and Economy

EXECUTIVE SUMMARY

Level of Achievement of Outcomes



Level of Achievement of Outputs

SO1

Three addition SOEs monitored as part of FRS

The consolidated Report on General Government arrears further enhanced

Debt to GDP ratio **decreased** (73.2%)

Forecasted nominal GDP in comparison with the forecast of IMF - World Economic Outlook was -0.03 billion All, **15% lower** than 2020.

The revenue collection by GDT and GDC increased **(ALL 336.8 billion)**

SO2

Quality review process for strategies improved

3 additional BIs implemented Performance Based Budgeting

20 CSOs were trained on GRB

The **NSPP** maintained

The **Priority Policy Document** approved

Guidelines for investment appraisal arrangements prepared

Strategic planning and **budget management** at LG level strengthened

Tax collation rate at LG improved (**21.3%**)

SO3

Ratio of **tax debt collected** increased

The **taxpayer register** improved

2 sectors covered to reduce informality

Reports to **reduce informality** produced

8 companies received the approval for **AEO** status

Actual **custom revenue collection** was improved in the level 25.7%

SO4

HRMIS-AGFIS integrated - for the first time 45 BI executed payroll through AGFIS

The rate of arrears as a percentage of total expenditure was decreased in 2.2%

62 IA Units carried out the audit of arrears

Liquidity forecasting improved

The **secondary legislation** of PPL adopted

e-complaints management system established and implemented.

EAMIS **internal processes** streamlined and trainings organized

2 meetings held on state aid and 2020 annual **report** prepared

SO5

75 % of tables completed and submitted to Eurostat

5 GFS tables were transmitted to EUROSTAT

10 out of 39 monitoring reports submitted by **LM reported in accordance to AFMIS**

Citizen's Budget guide developed and CSO trained

10% of progress of presenting accruals based government financial statements (**drafting of the legal acts and accounting standards, gap analysis, draft accounting instructions)**

SO6

2021 PIFC **action plan** implemented

FMC and IA **law** revised

Quality assessment in **20** public units

FMC and IA **databases** updated and issues reported

Delegation task guidelines implemented in **5** public units

3 IA guidelines prepared

FMC **issues** identified and reported

TNA for public financial inspectors prepared

67% of inspectors trained

SO7

55% of audit recommendations implemented

36.7% financial audits carried out

HSC **draft law** prepared

2021 HSC annual audit plan based on **risk analysis**

Performance Audit Manual updated

26.7 days of trainings on average for ALSAI auditors

Annual Consolidated **reports** send to Parliament

Table of Contents

1 Overall overview of the implementation of the Strategy 2019-2022

1.1 Introduction

This is the seventh Annual Monitoring Report on the Implementation of the Public Finance Management (PFM) Reform which covers the period 1 January 2021 to 31 December 2021. It encompasses another year of reform efforts and provides detailed information to the PFM Steering and Technical Committees on progress achieved and challenges encountered in meeting the Strategy's objectives and outcomes.

The present report provides an assessment of the PFM eligibility criteria for the European Union (EU) to provide Budget Support to Albania. The PFM eligibility criterion requires the existence of a credible and relevant programme to improve public financial management as well as satisfactory progress in the implementation of the programme. To our self-assessment PFM progress has been overall ***satisfactory, with*** **100% of progress in the outcome level and 79.31% of progress in the output level.**

The Government of Albania (GoA) has made good progress in the implementation of its Public Financial Management Reform Strategy. The developments for each Specific Objective are described in the sections below.

Ministry of Finance and Economy (MOFE) was supported by Support for Improvement in Governance and Management (SIGMA) on drafting the annual report, a joint initiative by the Organization for Economic Co-operation and Development (OECD), Technical Assistance (TA) team. The SIGMA / OECD TA support was mainly on the improvement of the monitoring template and in the process of preparing the 2021 PFM monitoring report, to a better alignment with Integrated Planning Information System (IPSIS) methodology.

1.2 Monitoring methodology

Directorate of PFM leads the process of preparing PFM annual monitoring report and send the reporting request to all the SO Leaders, which are the governing structure in charge for reporting on implementation of the Strategy against costed action plan, performance against targets; any delays; or amendments, identifying of the risks materialized, new risks and their mitigating measures. This report was prepared based on the monitoring toolkit approved by Steering Committee (SC) no. 11, dated 7 April 2020, and the Decision of the Council of Ministers no. 290, dated 11.4.2020, "On the establishment of the state database of the Integrated Planning Information System (SIPI/IPSIS)".

The structure of the 2021 annual monitoring report is the same structure used for 2020 annual monitoring report, which was drafted in compliance with IPSIS methodology based on DCM no. 290, dated 11.4.2020. During 2022 MOFE has intensified the efforts for a better presentation of information and results in each of the sections of the report aiming to further align with IPSIS standards. In this regard the main improvements include**: i) a new PFM monitoring template was prepared** with support of SIGMA/OECD aiming a more user-friendly template for responsible units and to collect the overall information for writing the report; **ii) the overall result of the self-assessment was based on the progress done in the outcome level and in the output level**. Defining the level of achievement for each of the outcome performance indicators and the traffic light colours per each SO were done according to IPSIS methodology, calculated with the same formula used in 2020, which includes the 2021 target of the outcome performance indicator in report with the fact of 2021. For those targets with no specified value (exp. ≤ (t-1) declining trend) the fact of 2020 is used as target for the year 2021, whereas for those targets for which the report fact/plan is not applicable (exp. With target "N/A" or letters "B") it is considered 100% when they were fully achieved and 0% when not achieved according to the target. The overall progress in the output level was calculated as the total percentage of those 2021 performance indicators of the outputs "achieved" and "in progress". The status of performance indicators of outputs were presented in three levels: "achieved" with 100% or over targets were achieved compared to the target set;

"in progress" for those targets which has progressed during 2021 but have still work to be done; and "not achieved" for those outputs which did not progressed during 2021; **iii) Executive summary is shorter** then previews years and it presents the information more in numbers and graphs; **iv**) The risk assessment is presented in more detailed way and using the traffic light classifying them based on the "Probability to happen" and the "Impact". **The methodology for Risk Identification and categorization was done in accordance with the Guide No.16, dated 20.07.2016 pursuant to Law No.10 296, dated 8.7.2010 "On Financial Management and Control",** as required by IPSIS. In this regard, risks were assessed according to the internal and external factors, and materialized risks have been identified for which mitigation measures have been taken.

1.3 PFM visibility and consultations

The PFM Reform Strategy serves as a policy dialogue framework for all donors and civil society actors active in the sector. Two PFM SC meetings and one Technical Committee (TC) meeting were held during 2021.

In January 2021, MOFE finished the process of changes of some of the performance indicators targets of Specific Objectives and the related outputs, to take into account the negative impact of the November 2019 earthquake and the COVID-19 pandemic on reaching the results, corresponding with the 13th PFM SC. The revised of PFM Action Plan 2020-2022 was approved and published on MOFE website[1]. In July 2021, MOFE approved the 2020 PFM annual monitoring report through the 14th PFM Steering Committee (SC) meeting. All the PFM SC meetings were attended by key GoA PFM stakeholders, as well as donors/development partners and civil society organizations. Moreover, the draft report and the revised Action Plan 2020-2022 were distributed for consultations with all actors in advance, and their comments were reflected or in case the reflection weren`t possible it was augmented and was explained officially to the specific actors.

During the preparation of 2021 annual report, the Directorate of PFM conducted intensive communications with the representatives of the structures involved in PFM, in order to present fairly and clearly the achievements and issues encountered during the reporting period. The reporting phase started with an online meeting on 25th March 2022 organised with the support of SIGMA/OECD TA, where all SO leaders were invited, aiming to present them the new monitoring template. After this meeting, the Directorate of PFM sent the reporting request to the SO leaders, and during the collection data phase, each SO leader organised dedicated meeting for their respective SO. In those meetings, expert from SIGMA/ OECD and the Directorate of PFM staff participated.

Following an intensive process, MoFE drafted the annual monitoring report for the year and it was discussed with all parties involved in PFM. Firstly, the first draft was presented in an face- to –face meeting organised with the help of SIGMA/ OECD TA aiming to discuss the output status for 2021, and then in the Technical Meeting. The final draft was presented in the SC meeting chaired by Minister of Finance and Economy, where representatives of institutions and directorates within MoFE involved in PFM and other members of the SC, also development partners and civil society organizations participated. All comments or suggestions of the parties are discussed and reflected in the report. In the framework of transparency and communication with the public, MoFE publishes on its official website[2] every annual monitoring report both in Albanian and English language.

[1] https://www.financa.gov.al/wp-content/uploads/2021/05/PFM-Action-Plan-Revised-2020-2022.pdf
[2] https://www.financa.gov.al/raportet-e-monitorimit-2/

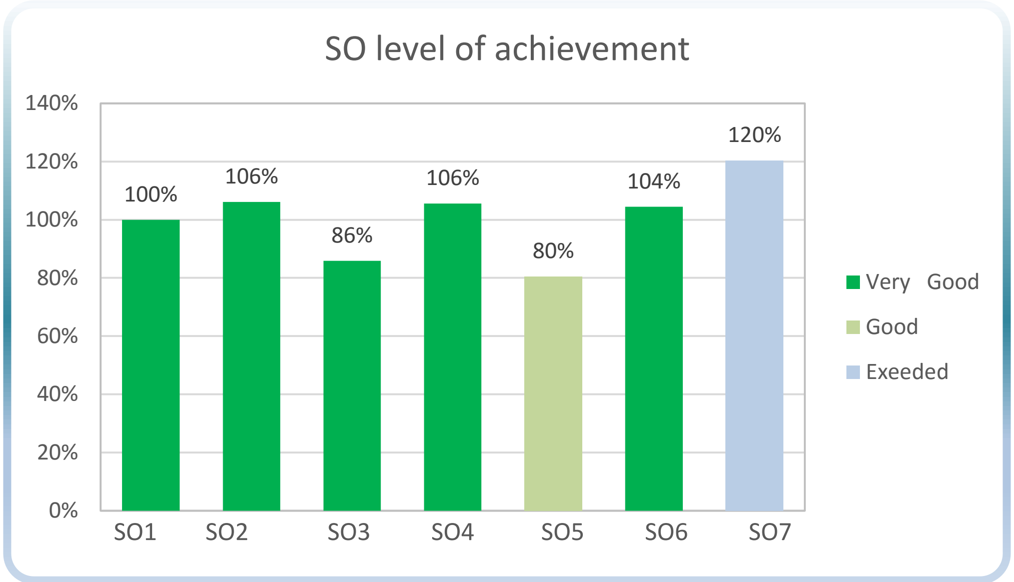
2. STRATEGY PROGRESS IN 2021

2.1 Achievements in implementing PFM Strategy Specific Objectives for 2021

Despite the consequences COVID-19 pandemic, very **good progress** with 100% level of achievement has been made in implementing PFM Specific objectives during 2021, which demonstrate remaining in the same level of achievement as in 2020 (very good progress with 97.3% level of achievement).

Overall, the graph below presents an overview of the level of achievements for each specific objective. The level of achievement of the strategy in the outcome level was 100%, which is an average of the level of achievement of specific objectives, respectively SO1 100%, SO2 106%, SO3 86%, SO4 106%, SO5 80%, SO6 104 % and SO7 120%.

Graph 1: 2021 SO level of achievement



During 2021, the main performance indicators which mainly contributed to outcome level of achievements are: debt to GDP ratio; Primary Balance; deviation of actual revenue collection; share of public investment projects that are proposed based on the strategic priorities of the government; the level of tax and customs revenue collection; arrears; stock of domestic debt re-fixed within one year; published in year and annual financial reports containing accessible financial and non-financial performance information including KPIs; accruals based government financial statements; implementation of internal control systems; managerial accountability mechanisms; system base recommendations; implementation of financial inspection recommendations; implementation of audit recommendations and financial audits carried out.

2.2 Impact of PFM strategy implementation in line with the European Integration agenda

The public finance management reform continues to be a priority of the Albanian government not only as one of the preconditions for accession to the European Union under public administration reform (PAR), but also aims at supporting a more developed economy with better services to citizens. Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilization, and continued relevance and credibility of the reform programme is one of the general conditions for disbursement of budget support tranches.

Albania's economic and social development journey and the prospect of its harmonization to European standards is not an easy process. It requires vision, clear ideas and the audacity of the state, institutions and other relevant social factors. In this regard, the Public Finance Management Strategy 2019-2022, addresses a number of challenges that Albania should tackle in its path towards EU. Furthermore, progress of PFM is part of several monitoring and evaluation reports such as: PAR Special Group report, SIGMA monitoring report, and EU Progress Report for Albania.

With regards to the **EU-Albania PAR SG**, it serves as the main platform to push forward the work on PAR. Periodic reports on the follow-up of the PAR SG conclusions are prepared by Albanian Government and every yearly meeting, conclusions on the areas to be improved are issued. In the 10th PAR SG meeting held in January 2022 is reported on the implementation of the PFM conclusions, namely on remaining vacancies, especially in key functions within the MOFE; accumulation of new arrears at both local and central level; decision making and management processes for public investments; domestic revenue mobilization; and the secondary legislation on the law on local finances. Several operational conclusions were left in this meeting such as: preventing occurrence of new arrears; decision-making and management processes for public investments; public consultation on draft, approve the medium-term revenue strategy (MTRS), and monitor its implementation.

Referring to the **2021 SIGMA monitoring report**[3], the overall trajectory for Albania in PFM is upwards, from 2.8 in 2017 to 3.3 in 2021, and is above the regional average of 3.1. Compared to the regional average, performance is similar or stronger in each indicator in the PFM domain, except for the functioning of internal audit (IA). Most pronounced is the strong performance in the domains of public procurement and the foundations for the functioning of Financial Management Control (FMC), IA and external audit.

"…All arrears are now recorded in a specific treasury account, and arrears reports are produced directly from the system. The medium-term budget programme 2021-2023 was prepared, using the newly developed Albanian financial management information system (AFMIS), and duly adopted. The 2021 budget and the execution of the 2020 budget were in line with the revised Organic Budget Law. The draft medium-term revenue strategy is pending finalisation…

…On public procurement, where Albania is moderately prepared, the country has made good progress, in particular by adopting the new law on public procurement. On statistics, where Albania is also moderately prepared, it made some progress on aligning with ESA 2010 standards, faster publication, and the adoption of the Population Census Law. Albania is moderately prepared in most areas on financial control, where the country made some progress, notably on public internal financial control and external audit…

… Budget transparency remains satisfactory with the publication of all key budget documents. More timely publication of the budget execution reports, in particular reporting on arrears. Transparency across government continues to show varying levels. Public participation in the budget process needs to be further strengthened.…
… In 2020, substantial progress was made in monitoring the execution of the National Plan for European Integration (NPEI) and the timely approval of the new plan for 2021-2022. The NPEI implementation rate has improved to 87% from 60% in the previous year…"

With regard to **EU report on Albania 2021**[4], key findings are presented in the following box. Furthermore, PFM responsible units reported that for 13 out of 24 components of PFM reform present their progress on the

[3] https://www.sigmaweb.org/countries/albania-sigma.htm
[4] https://ec.europa.eu/neighbourhood-enlargement/albania-report-2021_en

NPEI chapters. For each of the chapters, recommendations are given and respective measures are taken to address them.

2.3 Impact of sector development in the region and / or beyond

In this section it is provided a comparative analyse among Western Balkan countries, with the focus on public finance area and the economic performance achieved from ongoing reforms. According to several studies conducted, the six countries of WB (Albania, Kosovo, Bosnia and Herzegovina, Serbia, Montenegro and North Macedonia) are almost in the same stages of PFM reform implementation. Especially relevant was the WB report "Western Balkans Regular Economic Report, No. 20, Fall 2021: Greening the Recovery"[5] where it is presented an overall view of the main public finance indicators and the impact of the pandemic in these economies. The table below represent the overall fiscal picture for the Western Balkan countries for 2019, 2020 and the estimation for 2021.

Table 1: Fiscal indicators in the Western Balkan countries 2019, 2020, 2021[6]

Indicator	Real GDP growth (percent)			Public debt (percent of GDP)			Public Expenditures (percent of GDP)			Public revenues (percent of GDP)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Albania	**2.2**	**-4.0**	**7.2**	**63.7**	**75.1**	**75.4**	**29.2**	**33.2**	**34.4**	**27.2**	**26.3**	**27.8**
Bosnia and Herzegovina	2.8	-3.2	4.0	32.8	36.6	35.8	41.1	44.0	44.3	43.0	42.2	41.2
Kosovo	4.8	-5.3	7.1	17.0	22.0	22.7	29.7	33.0	29.8	26.8	25.4	28.9
North Macedonia	3.2	-4.5	4.6	40.7	51.4	53.9	33.7	38.4	42.0	31.5	30.2	36.1
Montenegro	4.1	-15.3	10.8	76.5	105.3	87.7	46.0	55.4	47.9	43.3	44.4	43.9
Serbia	4.3	-0.9	6	49.7	53.3	56.3	42.2	49.0	48.7	42.0	41.0	41.7

Source of information: World Bank (2022)

Fiscal balances have started to improve as a result of a stronger economic performance, but it will take further effort to replenish buffers. The growth recovery is contributing to buoyant revenue collection across the region. As it can be seen:

- Albania is appeared in the third worse position in 2020 as *the real* Gross Domestic Product *(GDP) growth* after Montenegro and Kosovo due the global COVID-19 pandemic, which forced major economic sectors into lockdown, therefore the economic situation deteriorated. However, considering the estimation for 2021, Albania appears in the second best place after Montenegro which is in the first place.
- Another important indicator which is been greatly impacted from the pandemic effects is *Public debt,* if we compare the estimations among countries, it is noted that Albania is the second place from WB6 with the higher public debt as percentage of GDP, after Montenegro.
- *Public expenditures* in terms of GDP have increased in Albania, as well in other countries.
- *Public revenue* in 2020 decreased not only in Albania, but in overall region, however a slight increase could be seen in the estimation for 2021. Considering the estimation for 2021, Albania is the second country with lowest public revenue after Kosovo.

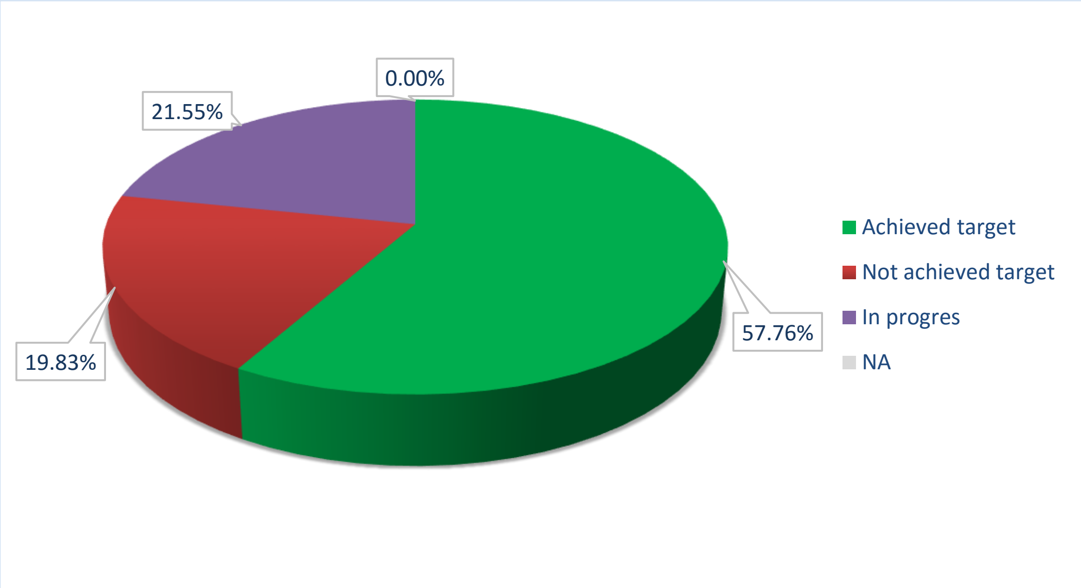
2.4 Specific objective outputs that did not progressed as planned

The graph below presents an overview of the status of the outputs targets for the seven specific objectives. The output targets level of achievement for 2021 was 79.31%. As could be seen on the graph below 57.76% of the

[5] https://openknowledge.worldbank.org/bitstream/handle/10986/36402/Greening-the-Recovery.pdf?sequence=1&isAllowed=y
[6] 2021 figures are estimated values

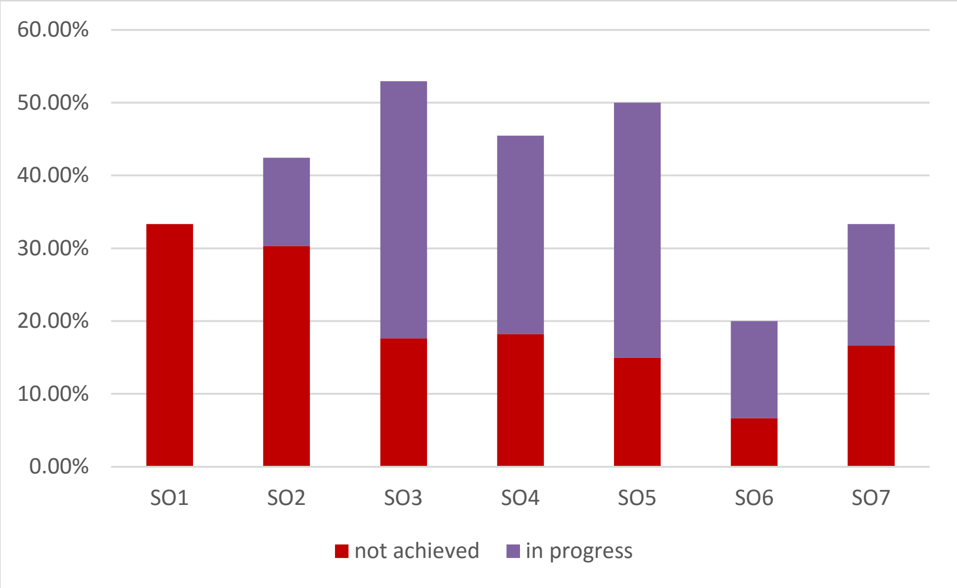
outputs targets were fully achieved in 2021, whereas 41.38% did not progressed as planned (it includes "not achieved" and "in progress" targets), 21.55% of which are in progress and the work will continue in the upcoming year. As reported from the responsible unit the main factor of the non-achievement of the output targets for the 2021 was the Covid-19 pandemic, which increased its negative impact on reaching the targets set, and becoming the main obstacle to their progress, not only for 2020 but also it has posed the effects for 2021 as well.

Graph 2: 2021 status of the Output Targets



In the graph below is presented the percentages of the 2021 output targets for each of Specific Objectives which did not progressed as planned during 2021. The SO3 has the highest number of output targets not progressed as planned during 2021 (52.94%), followed by SO5 (50%), while the SO6 has the lowest number (only 20% was not progressed as planned).

Graph 3: 2021 Output Targets not progressed as planned



The main challenges that hampered the achievement of the outputs were mainly related to the Covid-19 pandemic; internal organization processes; lack of human resources/sustainable capacities/staff turnover; lack of capacity building; missing clear procedures; lack of necessary infrastructure; workload in some units; IT system and operational risks; lack of data and missing information; lack of financial resources; lack of coordination and lack of the necessary external expertise.

2.5 General Budget execution

The majority of the reforms included in this strategy are policy reforms. The work of formalizing these reforms in the form of new and/or modified legislation and regulations has generally not required additional financial resources. Existing staff of the institutions involved in the implementation of the reforms have taken all the necessary steps to achieve the desired results. The Action Plan 2019-2022 provides that the total cost of implementing the activities is EUR 83 million of which EUR 48.8 million to be covered by the state budget and EUR 25.2 million from International Development Partners (IDP) and 8.9 mil was considered as Financing Gap. During 2021, the resources used for the reform implementation were 93% of the planned budget or EUR 23.8 million out of EUR 25.6 million (EUR 10.7 million were funds from Government Budget, while EUR 13.1 million from IDP). With the IPSIS implementation it is believed that a complete picture of action plan costs will be provided, because a better alignment between the Strategy and MTBP will be in place, so the budget spent during the implementation of the action plan will easily be retrieved. During 2021, the MoFE has obtained some financing and / or direct assistance from its external development partners to cover expenditure associated with systems implementation and capacity building.

During the preparation of the revisited Action Plan of PFM Strategy 2019-2022 a financing GAP of EUR 8.9 million was foreseen for the entire period of its implementation. However, as mentioned also in the main PFM Strategy document, the Government remains committed to secure the financing gap to allow the implementation of the reform activities, and this was the case during 2021 where some activities not initially planned to be covered by the government budget or donors were performed by staff of the BI involved with the implementation. Further details about the resources used for implementing the reform are presented in chapter 6 of this report.

3 Progress in implementing PFM Strategy Specific Objectives

The specific details of the developments for each Specific Objective are described in the sections below.

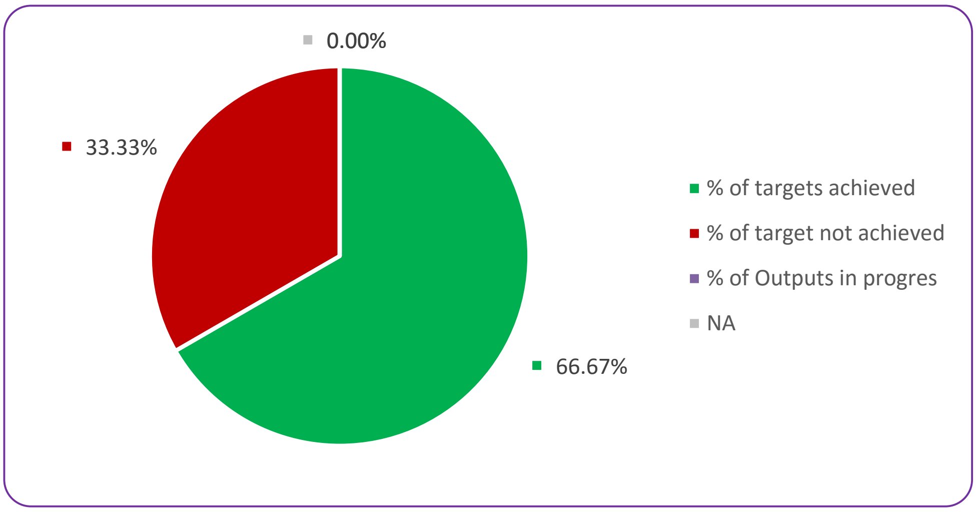
3.1 Progress under Specific Objective 1 "Sustainable and Prudent Fiscal Framework"

In order to ensure a sustainable and prudent fiscal framework, efforts were made to (i) Increased credibility of fiscal framework, and (ii) Fiscal risks are identified and contained more effectively. During 2021, the level of achievement of the outcome performance indicators' was assessed as very good, with 100% of progress made, standing in the same category compared to 2020 (101%).

Table 2: SO1 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY20	Target FY 2021	Fact Value FY2021
I) Increased credibility of fiscal framework	Ia) Debt to GDP ratio	76,1%	< FY 20	73,2%
	Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook	ALL -0.2 billion	< 0	-0.03 billion ALL
	Ic) Primary balance	-4,7%	> FY20	-2.6%
	Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	-17,0%	≤ planned deficit	-29,2%
	Ie) Percentage deviation of actual collection is within defined % of /approved initial budget estimate for tax and customs revenues	-16,80%	> -5%	1,20%
II) Fiscal risks are identified and contained more effectively	IIa) Fiscal risk reporting (PEFA PI 10)	B	B	B

Graph 4: 2021 status of SO1 outputs targets



Provisions were introduced into the legislation designed to address over-optimistic forecasting. The provisions included new debt, deficit and actual primary balance rules aimed at bringing the Debt to GDP ratio to sustainable levels. The Debt to GDP ratio showed a decreasing trend during the period 2015-2019, while in 2020 the ratio increased to 76.1%. The GoA took immediate measures to address the earthquake damages / reconstruction process and to contain the COVID-19 pandemic consequences, which led to significantly higher spending, resulting in a higher budget deficit in the short term and a higher level of national debt in 2020. In 2021 Debt to GDP ratio (73.2%.) had a slight decrease compared to 2020 The forecasts of nominal GDP were prudent and lower than the respective forecasts of nominal GDP in the International Monetary Fund (IMF) World Economic Outlook during 2016-2021. In the previous years, especially in 2020, the planning and budgeting processes were undermined by systematically overly optimistic revenue forecasts and tax projections. However, in 2021 the difference in forecasting was -0.03 billion All, which resulted 15% lower than 2020. The General Directorate of Macroeconomic Policies and Fiscal Affairs (GDMPFA) established a new sector for analysis and statistics in order to improve its forecasting capabilities in 2020, and half of the planned positions were filled during 2020. Four vacancies were filled during 2021 through DoPA. The staff of the sector for analysis and statistics were not trained as planned in 2021.

Performance of the revenue collection by General Directorate of Taxation (GDT) and General Directorate of Customs (GDC) for 2021 compared to 2019 and 2020 have resulted in an upward trend. These revenues were estimated at ALL 336.8 billion, 32 billion or 10.5% more compared to 2019 and 57.8 billion or 20.7% more compared to 2020. The main factors that have influenced the performance of the realization of tax and customs revenues against the plan are: i) Rapid vaccination of the population, gradual opening of the economy and the summer season, revival of tourism and all other sectors of the economy directly or indirectly related to tourism, had a positive impact on economic growth and revenues that the economy has created for the state budget; ii) The positive performance of the construction sector, including reconstruction due to the consequences of the earthquake, has increased turnover, imports, domestic production and budget revenues; iii) The increase in customs revenues as a result of the increase in the volume of imports and the increase in prices in international markets.

A Fiscal Risk Unit (FRU) was established in MoFE responsible for analysing, monitoring and reporting on the fiscal risks. The first Fiscal Risk Statement (FRS) was published with the 2019 Annual Budget. During 2019 work started to deepen and extend the coverage of the FRS by extending the analysis to a wider range of risks, including those of state-owned utility companies, arrears and those embedded in Public-Private Partnerships (PPP) contracts. In 2020, FRU has regularly monitored every month the financial and non-financial performance of all concession/PPP contracts with budget support. In 2021, FRU continued regularly monitoring (every month) the financial and non-financial performance of all concession/PPP contracts with budget support. In May 2020, a 2019 Summary Annual Report with financial and non-financial information on the active PPPs was published for the first time. Three State Owned Enterprises (SOE) have been realized as planned during 2021 aiming to improve the FRS and expanding the analysis of SOE-s.

Components progress made during 2021

Component 1.1: Fiscal rules and forecasting

Regarding this component there was only the output of "Revenue forecasting reliability" which had target for 2021. Only half of the staff of the sector for analysis and statistics was fulfilled in 2020 as planned and four vacancies were filled during 2021 through DoPA. It was foreseen for 2021 that the staff will be trained, but due to the limitations of the Covid 19 situation, no training was provided.

Component 1.2: Fiscal risk management

Several improvements had been done to improve the FRS and expanding the analysis of SOE-s. In this regard the addition of three SOE has been realized as planned during 2021. The focus of FRU is monitoring SOE-s which might have potential budget impact, and not necessarily monitoring all SOE-s, neither increasing the number of SOE-s we currently monitor. Thus, FRU's next steps are monitoring SOE-s which might have potential budget impact, such as energy sector and water supply sector. Based on the MoFE's Guideline no.4 dated 25.01.2021 "On the Implementation of Budget 2021", FRU periodically monitors and prepares, on a quarterly (3M) basis, the analyses of the main SOEs. This monitoring is primarily focused on the energy sector's financial and non-financial performance analysis. These analytical reports, which are regularly prepared on a quarterly basis, are disclosed/included in all MoFE/DMB's periodic reports, such as ABER, Mid-Year, Budget Proposal. Related to the monitoring of the performance of SOE-s for the FY2021, FRU is collecting information from energy sector companies and also from UKT, Albanian Railway, Albanian Post and Albgas. FRU monitors periodically (on a monthly basis) the financial and non-financial performance only for concession/PPP contracts with budget support. Part of the FRS is also Contingent Liabilities that comes from Decisions by the Court of Human Rights in Strasbourg, decisions of the International Court of Arbitration, and Final administrative court decisions.

A consolidated Report on General Government arrears was further enhanced in 2021 as planned. The monitoring of arrears is a consolidated process, through intensive periodic monitoring of all arrears of budgetary institutions. Starting from October 2020, this monitoring and reporting which was previously performed on a survey basis through written reporting of institutions, is automatically generated by the Government Financial Information System (SIFQ). This change is implemented in order to intensify the supervisory role of the MOFE to the monitoring process of the stock of arrears as well as for higher transparency based on more reliable system generated information.

Key challenges and next steps

The main challenge in this Specific Objective is related to the training of the staff of sector for analysis and statistics. To overcome this issue, they are planning to attend in the trainings organised by ASPA on regard of their area.

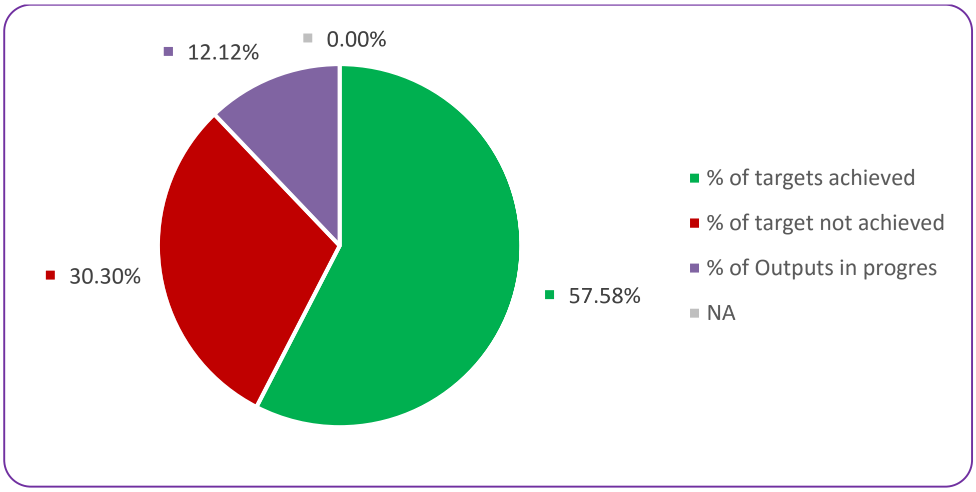
3.2 Progress under Specific Objective 2 "Well Integrated and Efficient Planning"

In order to ensure a well-integrated and efficient planning, efforts were made to (i) improve annual budget and Medium Term Budget Programme (MTBP) process and documentation to enhance credibility and comprehensiveness of the medium term planning (ii) improve Public Investment Management (PIM) Oversight; and (iii) strengthen financial management in local government. The performance indicator related to stock of expenditure arrears in Local Government has not progressed as planned. The data for outcome indicator "Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP" are not available for 2021. During 2021, the level of achievement of the outcome performance indicators' targets aiming to ensure a well-integrated and efficient planning was assessed as very good, with 106% of progress made, standing in the same category compared to 2020 (107%).

Table 3: SO2 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY20	Target FY 2021	Fact Value FY2021
III) Government planning documents, such as NSDI, Sectoral Strategies and MTBP are streamlined and fully aligned with each other	IIIa) Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP	NA*	> (t-1) (growing trend)	NA*
IV) Improved annual budget and MTBP process and documentation to enhance credibility and comprehensiveness of the medium term planning	IVa) Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget	22.8% (2020)	< (t-1) (declining trend)	2,5%
	IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)	B	C	B
V) Improved Public Investment Management Oversight	Va) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year)	82%	> (t-1) (growing trend)	90,5%
	Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations	95%	97%	99,0%
	Vc) Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year	46,35%	> (t-1) (growing trend)	72,4%
VI) Strengthened financial management in local governments	VIa) Tax collection rates (RLGRG)	-4,90%	15.7% (fact 2021/ 2020)	21,3%
	VIb) PEFA Subnational level PI-22.1 Stock of expenditure arrears	6.9 bln ALL/51.6 billion ALL (13.3%)	3.5 bln ALL/56.8 bln ALL (6.1%)	6.5 bln ALL/52.583 bln ALL (12.3%)

Graph 5: 2021 status of SO2 outputs targets



The GoA adopted the National Strategy for Development and Integration NSDI-II (2015-2020), which along with sector and cross-cutting strategies, master plans and action plans form the framework for comprehensive strategic development for the country. After four years of its implementation a mid-term review (MTR) of the NSDI-II took place and the report was finalised during 2020. The Department for Development and Good Governance at the Prime Minister Office (DDGG/PMO) has finalised the implementation of a comprehensive automated system to strengthen the Integrated Planning System (IPS), which links strategic policy planning with budget planning. Although legal support for functioning of the IPSIS could not be finalised by the end of 2020 as planned, a Council of Minister Decision and guidance on performance indicators setting and monitoring to help with its enforcement were adopted. In July 2020, National Agency for Information Society (NAIS) has accorded the operationalization and the readiness of the IPSIS to go live, and many training activities took place. The outcome indicator "Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP", is measured by SIGMA and the value for 2020 is 60%. For 2021 this indicator is not available. Until now Albanian Financial Management Information System (AFMIS) is in place, is functional and all LM and BIs are using it, while, IPSIS is still in progress. With the creation of the new Agency for Strategic Programming and Aid Coordination (SASPAC), IPSIS system will be under its responsibility and it is expected from this restructure organization that IPSIS will be finally fully functional in order to measure the indicator. During 2021, DDGG/PMO reviewed and commented 60% strategic documents, and provided comments for 95.2% of monitoring reports of sectorial strategies.

The Organic Budget Law (OBL) changes in 2016 empowered the Parliament to vote on and approve the MTBP ceilings at programme level and make them binding for the three years period. Also, a thoroughly revised Standard Budget Preparation Guidelines (SBPG) to reflect internationally accepted best practice was adopted at the beginning of 2018, and extensive coaching and review of its implementation across the Central Government (CG) Units took place during 2019 and 2020. The review evidenced that there are still some gaps and inconsistencies in applying the budget guidelines across the sectors. Also, a new MTBP module, designed as an expansion of the existing AGFIS, was finalised and it was rolled out to all Line Ministries (LM) and Budget Institutions (BI). Three additional Budget organizations, specifically Ministry of Justice, Ministry of Agriculture and Rural Development and Ministry of Education, Sport and Youth, have prepared: baseline forecasting, new policy initiatives and budget programme classification & KPIs. Also during 2021, 128 program management teams have been trained and assisted in the process of MTBP preparation in AFMIS. Finally, to further assist the LMs in implementing the new guidelines, two sector guidelines were finalized and published. In order to properly scrutinise and fund all new policy initiatives, the Strategic Planning Committee SPC approved the Policy Priority Document in March and in July 2020 in two separate meetings and new policy initiatives were decided upon before including them in the MTBP. During 2021, Policy Priorities Note has been prepared by PMO and discussed with MFE in January. This Document serves to guide the process of planning 2022-2024 budgetary ceilings, especially planning of new policy initiatives.

Regarding public investments, the Council of Ministers[7] approved a new procedure in 2018 that aimed at establishing new criteria for prioritising and appraising large capital investment projects. During 2019 and 2020, the Public Investment Directorate and PMO provided extensive training on public investment proposals that should be submitted for approval and on the new PIM module of AFMIS. With regard to PPPs, important legal changes occurred starting from 2016, when OBL provisions placed annual limits on concessions and PPPs. Also, the PPP law was amended in 2014, 2015 and 2019 aiming to create incentives to some new sectors of the economy and to ban unsolicited proposals. Finally, other regulatory changes concerning the monitoring of PPPs and concessions increased substantially the number of contracts under review by the Concession Directorate compared to 2018. An Annual report for 2019 with financial and non-financial information on the active PPPs was published for the first time. The Single Project Pipeline for all projects, regardless of source of financing, was approved by the (SPC) in 2020. The Single Project Pipeline for major projects was maintained. The regulatory framework for SPP management was prepared during 2021, with the support of EU funded project. During 2021, PMO has organized 2 (SPC) meetings to approve the list of strategic projects to be matured and financed during 2021. SPC has approved the Priority Policy Document including the list of new strategic projects, part of SPP, that will be included in the MTBP 2022-2024 (MTBP strategic phase).

In terms of PFM in Local Government important achievements have been made in the regulatory framework, such as the approval of the Law ‘On Local Self-Government’, Law ‘On Local Self–Government Finance’ and several by-Laws and instructions. Work to strengthen strategic planning and budget management at LG level progressed well during 2019 and 2021. During 2021, Annual MTBP Preparation Instruction was reviewed and a new template for LSGU MTBP Document was introduced as a new annex to the Annual Instruction. A new excel based module was prepared for Programme Expenditure Planning under MTBP preparation. A comprehensive training programme on MTBP preparation was carried out for all 73 LSGUs. In 18 municipal fiscal packages 2020, 2021 and 2022 were adopted fully in line with legal framework of local taxation. In 2021, tax collation rate was 21.3%, showing an improvement compared with 2020 (-4.9%) and exceeded the target set for 2021. The Department for Local Finances (DLF) continued to monitor and publish the Reports on Arrears on the MoFE website. Arrears at the LG level remains an issue as their stock increased compared to targets set, due to the negative impact of COVID-19 pandemic on municipal revenue collection. The outstanding arrears as of 31 December 2021 amount to 6.5 billion ALL (instead of 3.5 billion as planned). However, there were a decreased trend compared to 2020 (6.9 bln ALL). The General Directorate of Harmonization of Public Internal Financial Control (GDHPIFC) has performed many capacity building activities in order to establish an effective internal control and internal audit function at the LG level. All 73 MTBP documents submitted by LSGUs are reviewed by MFE with relevant recommendations for improvement. The output targets related to the establishment of IPSIS at Local Government level were not achieved.

[7] The decision no 185 of the Council of Ministers the ‘On Public Investment Management Procedures’

Components progress made during 2021

Component 2.1: Policy development and integrated strategic governance

Output target set by DDGG/PMO for 2021 in order to improve quality review process for strategies, policy priorities and MTBP submissions was achieved. 12 out of 20 strategic documents (or 60%) were reviewed and commented. There is an increase with 4% compared to 2020 (56%). The main purpose of the review was to analyse the conformity and level of integration of the strategies with the policy priorities and budget planning.

Output target set by DDGG/PMO for 2021 in order to coordinated activities for a better management of sector and cross-sector strategies was achieved. In particular, DDGG/PMO has provided comments for 95.2% of monitoring reports of sectorial strategies (for 20 out of 21 monitoring reports prepared from (LMs). There is an increase with 10.2% compared with 2020.

Related to output an Integrated Planning System (IPS) effectively implemented, the target was not achieved as planned and the legal gap analysis with respect to policy management processes did not start yet.

The **trainings of administrators**, trainers in order to have IPSIS System managed and implemented effectively, planned for 2021, were conducted since 2020.

Component 2.2: Medium Term Budget Programme

Two out of three output targets aiming to implement Performance Based Budgeting (PBB) in all the Budgetary Institutions were fully achieved. Three additional Budget organizations, specifically Ministry of Justice, Ministry of Agriculture and Rural Development and Ministry of Education, Sport and Youth, have prepared: baseline forecasting, new policy initiatives and budget programme classification & KPIs. Also during 2021, 128 program management teams have been trained and assisted in the process of MTBP preparation in AFMIS. Finally, some progress has been made to further assist the LMs in implementing the new guidelines. Even though two sector guidelines were finalized and published, this output target has not been achieved as planned for 2021, because the work for preparing new budget guidelines has been stopped from the pandemic situation.

The output target in order to properly scrutinise and fund all new policy initiatives was not achieved. The cost of unfunded legal mandate is not identified. This output should be postponed in 2022 because from the pandemic situation and the amendment of the yearly budget for 2021 several times (6 times) it was impossible to perform this exercise. Since there is no continuity of policies and new policies approved addressed only immediate needs born from the pandemic consequences, it was impossible to perform such analysis.

One out of three output targets aiming to improve gender-responsive budgeting Gender Responsive Budgeting (GRB) at the central government level was fully achieved. 20 Civil Society Organizations CSOs were trained and coached on participatory budgeting and GRB during 2021. The output target related to the number of the budget programs that have been fully integrated into GRB was not achieved as targeted for 2021 but some progress was made. Due to the local elections, the targeted Municipalities (9) could not fully commit in the capacity building activities. 33% of the budget programs have been fully integrated into GRB. Although the budget management teams of 9 Municipalities have been technically supported to effectively integrate GRB in their MTBP documents, the output target related to the number of Program Management Teams from Local Government Units trained and coached on GRB (planning and monitoring) was not achieved as targeted for 2021, but some progress was made.

The output targets to include the piloted policy objectives and related KPIs as a specific annex in the Annual Budget Law were not achieved. The list of KPIs for each Budget Program is not selected and the

LM/BI report on KPI/objectives is not prepared. Due to the pandemic situation, there was not the opportunity to amend the OBL to create the legal to create the legal right to change and enhance the quality of budget documents.

The Output related to enhancing quality and content of budget documents for Parliamentary approval was not achieved as targeted for 2021. Action plan was not implemented. The templates for data presentations and textual contents were not used.

Component 2.3: Public Investment Planning and Oversight

Work toward establishment of a Single Project Pipeline for all projects, regardless of source of financing, has progressed well. Only one out of three output targets wasn't achieved as targeted for 2021. The PIM strategy (including PPP policy) was not drafted and approved as targeted for 2021. The merging process was postponed as it requires time. This process consists on establishing a new department (by merging PIM and PPP department) which will operate with a new legal framework.

The Single Project Pipeline for major projects was maintained. The regulatory framework for SPP management was prepared during 2021, with the support of EU funded project. During 2021, PMO has organized 2 SPC meetings to approve the list of strategic projects to be matured and financed during 2021. SPC has approved the Priority Policy Document including the list of new strategic projects, part of SPP, that will be included in the MTBP 2022-2024 (MTBP strategic phase). Also, during 2021, five new strategic projects part of SPP, has started the maturity cycle: Durrës wastewater treatment; Murriqan-Lezhë Highway; Development of infrastructure for High Performance Computers. During 2021, PMO leaded the process of maturing/financing the strategic projects, part of SPP. In this framework Albania has absorbed during 2021, 175 million Euro grant from WBIF (EU funds), for financing the strategic projects: Vorë-Hani Hotit Railway (investment grant); Tirana By Pass (2nd investment grant); Floating Photovoltaic Park of Vau Dejes (investment grant); High Performance Computing for Government Data and Secure Information Exchange Network for Regional Interoperability in the Western Balkans (TA); Evaluation of Dam Safety and Potential of Existing Reservoirs to Improve Irrigation to Enhance Resilience to Climate Change (TA); Durrës waste water treatment (TA).

Also, the procedure to include active projects from SPP to the MTBP cycle, is prepared and implemented with the preparation of Priority Policy Document (PPD). The PPD has been prepared and approved by SPC on March 2021. PPD is part of the MTBP strategic phase and constitutes an intermediate stage before setting the budget ceilings for the MTBP 2022-2024 (PMO).

The output target aiming to increase the quality of public investment proposals submitted for approval was achieved. Ex ante evaluation methodology for project's appraisal was prepared on September 2021, with the support of PFM technical assistance. Templates and guidelines for methodology application have been prepared in September 2021. Line ministries have been trained for the new methodology during November-December 2021.

Output targets aiming to improve the monitoring process of public investments, including PPP projects and concessions were not achieved as targeted in 2021, but some progress was made. The process of alignment of historical data with the new project codes was postponed as it requires a tremendous mechanical work while the department was understaffed. The output target related to ratio of monitored contracts from MoFE versus total signed contracts (PPP and Concessions) wasn't achieved as targeted for 2021, but has made some progress. MoFE has managed to receive information from the Contracting Authorities for 184 out of 228 in total from June to December 2021. With the information received so far, MFE has managed to monitor about 81% of all contracts (PPP and Concessions).

Component 2.4: PFM in Local Government

All targets of the output aiming to strengthen strategic planning and budget management at LG level were achieved. During 2021, an improved framework for programme budget planning better linked to effectiveness and service delivery performance. Annual MTBP Preparation Instruction was reviewed, by introducing new elements of "Output based Expenditure Planning" as basis for planning and costing service delivery under each budget programme. A new template for LSGU MTBP Document was prepared and introduced as a new annex to the Annual Instruction. The new annex was introduced in the 2022-2024 MTBP Preparation Instruction providing an improved MTBP document template and reports to be used by all municipalities. Methodology for establishing budget performance information and service costs was part of a regularly updated Annual MTBP Preparation Instruction. Training was provided to 73 LSGU on use of the new MTBP document template.

A new excel based module is prepared for Programme Expenditure Planning under MTBP preparation. The module was partially piloted municipalities during 2022-2024 MTBP preparation process. The module: allows LSGUs to collate performance and cost detail; automates cost calculation for individual services (outputs) and programmes; and directs LSGUs to modify plans where cost exceeds available resources. Performance and cost information had previously not been catered for in MTBP tools, including MoFE's Financial Planning Tool.

Supported by an increase in online practices, a comprehensive training programme on MTBP preparation was carried out for all 73 LSGUs (61 municipalities and 12 Councils of "Qarks" - counties). Municipalities received trainings using the Zoom platform and were grouped by region. The training was organized in three rounds (of six training sessions each). 1st Round: 150 senior officials trained on MTBP instructions and process. 2nd & 3rd Round: more than 450 technical staff, heads and members of Programme Management Teams (PMTs) of all 73 LSGUs trained on budget programmes performance planning; on output expenditures planning and the use of the MTBP template; use of the Toolkit for Programme Expenditure Planning.

Plan for repayment of the arrears was prepared. Also, periodic reports on arrears of LGUS were prepared and published[8]. An annual report on financial difficulties of local government was prepared by MoFE. Financial Insolvency instruction approved and applied for two consecutive years (2019-2020). Budget monitoring framework was improved. Annual, Semi-annual and 9 months report on financial statistics of LSGUs prepared and published for the third consecutive year by MFE. All 61 municipalities prepare and publish individual budget execution monitoring report. MFE prepared a national compliance report.

The output target for 2021 aiming to create effective revenue management was achieved. In 18 municipal fiscal packages 2020, 2021 and 2022 were adopted fully in line with legal framework of local taxation. 18 municipalities adopted and executed their fiscal as per new methodology of the building tax. Capacities on preparing municipal fiscal packages were improved.

The output target for 2021 to have an improved intergovernmental transfer finance system was achieved. MFE has continued the financing for the preschool education based on number of pupils. 'Financing of preschool education is part of the budget year 2021.

For the year 2021, MFE has transferred to all 61 municipalities revenues form PIT. In 2021 PIT is fully implemented (the point (ç) of Article 25 "Shared taxes" of the Law No.68/2017 "On Self Government Finances"). In Q1 year 2021 is allocated 258.1 million ALL (in this amount is included 73.1 million ALL from Q3 2020 and 185 million ALL for 2021); in Q2 is allocated 286 million ALL to municipalities; In Q3 is allocated 250.5 million ALL to municipalities (the rest of 2% part of PIT). With this allocation is fulfilled the total amount part of PIT that belongs to municipalities for 2021 (721.5 million ALL allocated to LGUs) Since the Fiscal indicators regarding consolidated budget of 2021 for December 2021, will be published in January 2022, that part of PIT will be allocated then (regulated in Instruction "For the budget implementation for the year 2022"

[8] https://www.financa.gov.al/detyrimet-e-prapambetura-2021/

The size of both general unconditional transfer and sectorial unconditional transfer are more than 1.5 percent of GDP. Factually is 1.53 % of the GDP 'Unconditional transfer and sectorial unconditional transfer are allocated through the budget year 2021.

The GDHPIFC has performed many capacity building activities in order to establish an effective internal control and internal audit function at the local government level as planned. To achieve the intended results, during 2021, DoH/FMCA provided technical assistance in 2 municipalities (Kruja and Himare). Based on a detailed activity plan, work was done on the drafting of operational work plans, implementation of the approved delegation instruction and use of reporting lines, drafting of book of business processes, audit trail, risk register and action plan for setting up the FMC system. During the implementation of these activities, the staff responsible for drafting and implementation of FMC instruments was trained (25 staff trained). Also, was performed the evaluation of the quality of the internal control system for 9 municipalities, out of which 4 were evaluated as partially effective and 3 as ineffective. Meanwhile, in 2 municipalities the quality assessment process was not carried out because during the evaluation period, the institution did not make available to the DoH/FMCA staff any justifying document generated.

Also, in cooperation with the Local Finance Project, was provided support to the internal control coordinators of partner municipalities, for the annual self-evaluation process of internal control system during 2020 and revision of the respective IC development plans for year 2021.

In addition, was prepared the manual of procedures (map of processes and audit trails) and the risk management plans for three complex processes related to local revenue forecasting and collection. The manuals were elaborated as part of the process-based risk management following the training program for risk coordinators and internal auditors. The staff of 4 municipalities (Mirdite, Diber, Vlore & Dimal) was involved in the process, sharing their experience and contribution.

During year 2021 Local Finance experts supported 3 additional municipalities (Saranda, Lushnja and Tropoja) in establishing the institutional risk management and coordination groups, and is currently supporting Durres municipality on the establishment of the Risk Management Coordination Group.

Experts supported the risk coordinators of Lushnja municipality (based on request), during the preparation of (i) manuals of procedures and the respective risk management plans related to social services, and (ii) risk management plans related to urban planning and development objectives.

During these activities, were established and are functional 3 Risk Management Groups and 80 risk coordinators of 5 municipalities trained. Also, manuals of 3 processes on revenue management and the respective Risk Management Plans were prepared.

All 131 internal auditors working in municipalities (49 municipalities have Internal Audit Units) have been trained on the topic Risk Based Audit on Asset Management (3 days). Beside, all internal auditors have attended and have been trained under the Continuing Professional Development (CPD) Program for the year 2021(40 hours of training).

The output target for 2021 aiming to increase MOFE capacities to manage the PFM reforms at LG level was achieved. All 73 MTBP documents submitted by LSGUs are reviewed by MFE with relevant recommendations for improvement. MFE has established effective procedures and capacities for analysing and reviewing MTBP submissions.

The output targets related to the establishment of IPSIS at Local Government level were not achieved. None of LGUs are using IPSIS system for preparing strategic framework including passports of indicators. Instructions for IPSIS users were not prepared and trainings were not delivered. However, there has been implemented a TA Mission within the frame of STAR 3 Project, in order to conduct a Compliance Review for the Implementation of the Implementation of National Systemic Data Plan and to provide recommendations for improving its implementation.

Key challenges and next steps

Under this Specific Objective the main challenging component relates to the Medium Term Budget Programme. Most of the outputs related to this component were not achieved, due to the pandemic situation, lack of political will to amend and approve OBL and lack of staff in DAPB engaged in the process of preparing new budget guidelines. The work to finalize 3 more sector guides, in order to implement Performance Based Budgeting (PBB) in all the Budgetary Institutions, will continue during 2022. The work will continue during 2022 by setting a plan of action within DAPB, within June, where specific steps will be designed to achieve output target in order to properly scrutinise and fund all new policy initiatives. Two out of three output targets aiming to improve gender-responsive budgeting (GRB) at the central government level were not achieved. The challenge that influenced these output targets was political will and leadership commitment in terms of Gender Equality from LGUs. 10 new Municipalities and 4 Municipalities that have been technically supported in 2021, will be supported during 2022. Capacity building activities for budget management teams as well as Municipality Councils will be conducted. The output related to including the piloted policy objectives and related KPIs as a specific annex in the Annual Budget Law was not achieved. Due to the pandemic situation, there was not the opportunity to amend the OBL to create the legal to create the legal right to change and enhance the quality of budget documents. The next step is work beginning for amending the OBL.

Regarding the component of Public Investment Planning and Oversight, although the efforts made by MoFE to receive information from the Contracting Authorities, there was lack of progress in the monitoring process due to the lack of periodic reporting from Contracting Authorities. The risks that influenced the implementation of this indicator are related to internal organization and human resources among Contracting Authorities, because they could not be able to share the role and responsibilities for reporting to their human resources and also in some cases they don't have enough human resources to fulfil their obligation for reporting. MoFE will continue to raise the awareness among Contracting Authorities for the importance of the process of monitoring and reporting concession/PPP contracts, by sending them time to time letters to emphasize their obligation to send periodical reports for this contracts to MoFE.

The process of alignment of historical data with the new project codes was postponed as it requires a tremendous mechanical work while the department was understaffed. The main challenge remains the identification of the projects as there are numerous investment projects mainly from-LMs. PIMD is currently cooperating with SIGMA on the completion of this activity.

Work toward establishment of a Single Project Pipeline for all projects, regardless of source of financing, has progressed well. Only one out of three output targets wasn’t achieved as targeted for 2021. One of the challenges the process of establishing a new department faces, is designing the unified legal framework for PIM and PPP. The merging process will require capacity building in the field of PPP and PIM. Since this is a structural merging of these departments, the first step is the preparation of draft law on PPP&PIM which will lead to the merging of two departments.

Regarding the component of Policy Development and Integrated Strategic Governance, the key challenges were linked with the latest changes through 2021 in the establishment, organization and functioning of the State Agency for Strategic Programming and Aid Coordination (SASPAC)[9], under the Prime Minister. This Agency will be responsible institution which will ensure administration the state database of the External Assistance Management Information System (EAMIS) and the Integrated Planning Information System (IPSIS) as well as anticipates the functional requirements and proposes changes, depending on the need for proper functioning and improvement of these electronic systems.

[9] Decision of the Council of Ministers No. 642, dated 29.10.2021 "On the establishment, organization and functioning of the State Agency for Strategic Planning and Aid Coordination"

Regarding component of PFM in Local Government the target of effective revenue management was achieved, however some challenges faced during implementation were: lack of performance in tax collection in some municipalities; no clear procedures; and if the new methodology of the building tax is not adopted may bring lack of revenues in local government budget. With regard output to ensure effective Internal Control and Internal audit function, some of the challenges in carrying out activities consisted of: Lack of necessary infrastructure for the realization of the activity; Availability and lack of infrastructure of the host institution during the dates set for the realization of the activity; and Workload and the availability of Local Finance Project experts. Also, the output target related to the review of the MTBP of 61 LGUs by MoFE was achieved, however a challenge faced was that the MTBP documents were not according to formats approved by MoFE.

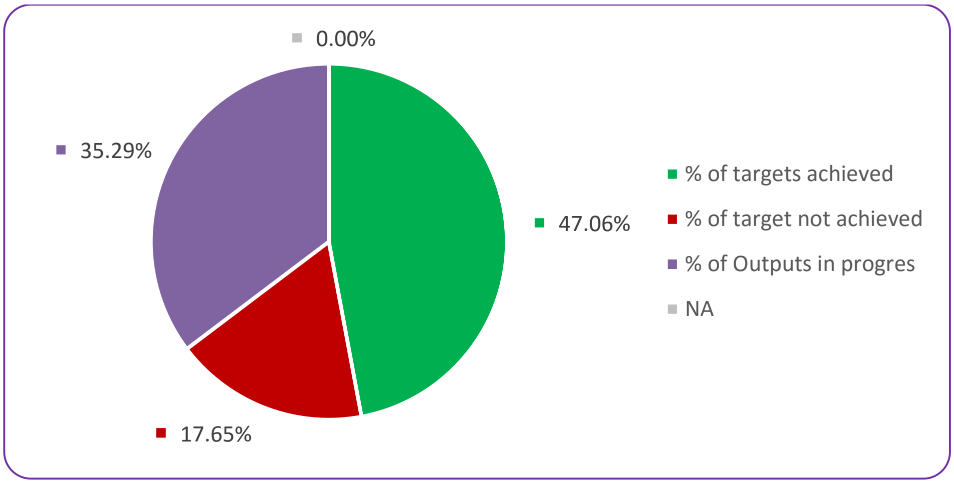
3.3 Progress under Specific Objective 3 “Revenue Mobilization”

In order to improve revenue mobilization, efforts were made to (i) increase level of revenue from Tax; (ii) reduce informality with improved self-declaration and increase the detection force of controls; and (iii) increase level of Custom revenues. The fiscal cadastre was not fully functional. The performance indicator related to custom declaration processing time has not progressed as planned. During 2021, the level of achievement of the outcome performance indicators’ targets aiming to improve revenue mobilization was assessed as very good, with 86% of progress made, standing in the same category compared to 2020 (94.1% very good).

Table 4: SO3 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY20	Target FY 2021	Fact Value FY2021
VII) Increased level of revenue from Tax	VIIa) Tax base of businesses	47.6% (165,955 businesses in 2020)		62.4% (182,632 businesses in 2021)
	VIIb) % of Actual tax collection in Year N /Actual tax collection in Year N-1 -100% (from tax)	-7,20%	12,0%	14,5%
	VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities	78,39%	62%	62,7%
VIII) Reduced informality with improved self-declaration and increase the detection force of controls	VIIIa) Ratio of tax return versus previous year	2.21% (2,876,202 returns in 2020, vs 2,814,005 in 2019)	< 0%	-8.08% (2,641,559 returns in 2021 vs 2,876,202 in 2020)
IX) Fiscal cadastre fully functional	IXa) Number of buildings registered and billed	80% (1 200 000/1 500 000)	86.7% 1 300 000/1 500 000	80% (1 200 000/1 500 000)
X) Increased level of Custom revenues	Xa) % of Actual custom revenue collection in Year N /Actual custom revenue collection in Year N-1 -100% (from Custom)	-6,10%	9%	25,7%
	Xb) Custom declaration processing time	97	70	88

Graph 6: 2021 status of SO3 outputs targets



In response to the request from the MoFE for support and guidance in the preparation of a Medium-Term Revenue Strategy (MTRS), an IMF revenue administration mission visited Tirana in November 2019 and provided options to address high-risk areas of tax non-compliance and to strengthen revenue administration. The Medium -Term Revenue Strategy is a strategy which was drafted during the first quarter of 2020 and was expected to be released for public consultation during the second quarter of 2020, and then to be implemented in the last quarter of 2020, but it became less relevant when the COVID 19 pandemic started. The output target aiming to adopt a MTRS strategy was not achieved as targeted in 2021. The strategy was updated during 2021. Meanwhile, during 2021 the work continued with the review of the draft Strategy, as a need to change market conditions.

A new Tax Administration Information Technology (IT) System became operational in January 2015 and revisions of the system were finalised in 2017. In 2015, the tax administration commenced implementing a contemporary compliance risk management (CRM) methodology aimed to improve taxpayer compliance on a risk cluster basis (e.g. industry focused). Information about taxes has been simplified and information provision to taxpayers improved through the website, awareness campaigns, and the establishment of a call centre. In 2019, the tax administration finalised the design of automated risk-based procedures for all Value Added Tax (VAT) refunds and most of the work to implement automatic VAT refunds was done during 2020 and it has been realized 95% during 2021. Reimbursement Platform will go Live within first quarter of 2022.

As a result, the repayment period of VAT reimbursement halved and the outstanding stock of VAT refunds decreased in 2020 by 16% compared to 2019. In December 2021 the Test version (final version of test) was received by GDT. Testing in the test environment (final version) continued and the necessary improvements were made by the Developing Party. The final demonstration of the workflow was performed for the GDT functions involved in the process.

Part of automation of core tax administration processes included the upgrade of the e-invoice management module, which started in 2019, earlier than planned. Progress was made towards the completion of the automatic cross-check that would be used to verify return information on the desk. In the framework of fiscalization, the respective modules are implemented 100%. The asset module is implemented in "standalone" format; still pending web services from third parties (General directorate of Road Services, Notaries, and National Agency of Cadastre). During 2019, the GDT created a complete and accurate taxpayer register, which further contributed to informing all taxpayers and encouraged voluntary correction of tax obligations. Based on the Agreement between the GDT and National Business Centre, the timely transmission of data for registrations and changes in the registrations has been realized. New developments have been made in obtaining information from the NBC for companies that are liquidated, merged or divided. The latter together with analysis performed by the Risk Management Department to select for audit high risk taxpayers supported one of the main Tax Department objectives related to reducing informality. With the submission of financial statements, there is an obligation to report also accounting data.

Every year the regulation for the submission of financial statements is drafted and at the end the analysis of the submitted financial statements is done.

Property tax reform is delayed due to unforeseen events, and therefore during 2020 an agreement was reached between MoFE, SIDA and State Tax Agency in order to extend the property tax reform agenda for two years. A dedicated structure aiming to centrally establish and manage the fiscal cadastre information system and property tax reform was created and the legal framework for property tax based on reference prices has been established as well. During 2019 a fiscal zone value-based property tax on buildings and operationalisation of tax collection started. As the project is prolonged, the appraisal process is not done yet, due to lack of quality of the data or missing data. The analysis of data is in progress. Due to lack of data and missing information, next step is working on a market research from alternative sources, in order to have some additional information for comparative analysis and evaluation process. A new IT system was deployed in 2018 and upgraded since then. The IT System is upgraded and will be ready for taxation. In this aspect, in 2021, started a pilot process in some of the municipalities. Trainings to municipalities' staff were held.

The regulatory framework of the GDC has been continuously reviewed in order to comply with the EU *Acquis Communautaire*, including the most recent development, i.e. alignment of BTI and Nomenclature of Goods. During the period 2015-2020 the efficiency of the customs service delivery at border-crossing checkpoints has improved as well as its transparency. The GDC did not manage to approve Authorised Economic Operators (AEO) planned for 2019, though awareness-raising activities regarding the benefits, procedures and programmes have been taking place. However, during 2021, eight applications out of 16 received the approval for AEO status. Module of single guarantee implemented. The Integrated Tariff Management System and IT system to assist in the fight against money laundering and terrorism are under implementation. In 2021, % of Actual custom revenue collection was 25.7%. There was an increased collected revenues volume compared with 2020 and has exceeded the 2021 target. Revenues in 12M 2021 were realized in the amount of 193.2 Million ALL from 169.05 Mld planned or about 24.1 Million lek more (about 240 Mln $ more). 79% of revenue success comes as a result of economic growth, increased import flows and good governance, while 21% as a result of the price effect. The outcome target linked with the custom declaration processing time in level 70 min/declaration was not achieved. The declaration processing time in 2021 was 88 min/declaration. However, there is an improvement compared with 2020 (97 min/declaration). There is an increase of processing time for declarations in green by about 1 min. The increase in the time of declarations in the green channel comes for factors outside the influence of the Customs Administration.

Components progress made during 2021

Component 3.1 Tax Administration

The output target aiming to adopt a medium-term revenue strategy has made some progress. During 2021 the work continued with the review of the draft Strategy, as a need to change market conditions.

The output target related to implementing automated risk-based procedures for all VAT refunds and credits carried forward was not achieved as targeted for 2021, but has made some progress. The most of the work to implement automatic VAT refund was done and it has been realized 95% during 2021. Reimbursement Platform will go Live within first quarter of 2022. Due to the unplanned commitments that the development company had from the situation of Covid19, it was not possible for the platform/system for VAT refund to be made available during 2020, an activity which was postponed. In December 2021 the Test version (final version of test) was received by GDT. Testing in the test environment (final version) continued and the necessary improvements were made by the Developing Party. The final demonstration of the workflow was performed for the GDT functions involved in the process.

The output targets related to automation of core tax administration processes has made some progress.

The output target related to data Warehouse **(**DWH) capabilities available, was not achieved as targeted in 2021 but some progress was made. DWH working group was established (March 2021) to identify the registers and data used by the TA and to structure data in order to integrate into DWH.

Part of automation of **core tax administration processes** included the introduce of e-invoice management module. In the framework of fiscalization, the respective modules are implemented 100%. The asset module is implemented in "standalone" format; still pending web services from third parties (General directorate of Road Services, Notaries, and National Agency of Cadastre).

The output target related to interfacing the IT system with banking systems and with the system managing immovable property was not achieved. The criteria of the Risk Module have been updated, improved and analysed in cooperation with an IMF expert. The risk criteria of the Fiscalization Module will be implemented in the coming years.

Training of the staff on risk management aiming to build a comprehensive Compliance Risk Management system was achieved as planned. IMF experts provided training to 14 staff members of the Risk Management Department and in the field of Data analytics.

Both outputs targets to create an accurate taxpayers register were achieved. The agreement signed between the GDT and National Business Centre made possible the timely transmission of data for registration and relevant changes of the companies, including those which were liquidated, merged or divided. Another factor that facilitated the completion of the register were three awareness campaigns organised in 2021: communication plan for the legal changes (online meetings with taxpayers, staff training, updating changes on the web, web announcements, etc); communication plan for tourist season (Web announcements, meetings with taxpayers, media announcements, etc.) and the third one, communication plan for fiscalisation (Web announcements, online meetings with taxpayers, intensive online training with taxpayers, training with staff, announcements in media and social networks, etc.).

The GDT targets for 2021 aiming to reduce the informality were achieved. There were covered: a) Sectoral Reconstruction Plan. There were identified Taxpayers equipped with Authorization for exemption from VAT in the framework of the reconstruction process with broken risk criteria; b) Tourism Sector Plan. There was implemented the sectorial plan in Tourism-Hotels-Bar Restaurant in the entire coastal area during the summer season; c) Continuation of the sector plan in the labor market. There was implemented the plan of informality in the labor market based on its 4 components:

Non-registration of employees; Inaccurate declaration of salaries; Inaccurate declaration of employment category and profession; Inaccurate declaration of working time. There were approved 9 risks criteria with impact on the analysis and identification of non-compliant Taxpayers within the Plan of Informality in the labor market. Also there were approved risk rules for Taxpayers monitoring in the framework of changing the registration threshold in VAT and profit tax liability.

The output targets related to report produced, were achieved. There were approved the risk rules for monitoring Taxpayers in the framework of changing the registration threshold in the responsibility of VAT and profit tax. There were identified monthly Taxpayers of large business that have unfavorable sales and purchase reports and also the Taxpayers who are identified with the risk of not declaring the real turnover to benefit from the VAT registration threshold of 10 million ALL and Profit Tax 14 million ALL and the Taxpayers with derivative behaviour and change of business types according to the declared turnover. There was monitored the progress of the registration and evidencing of large taxpayers who had to complete the fiscalization process by 31.12.2021. Within 2021, all Taxpayers (large taxpayers and small businesses) with VAT have applied electronic invoicing. With the submission of financial statements, there is an obligation to report also accounting data. Every year the regulation for the submission of financial statements is drafted and at the end the analysis of the submitted financial statements is done.

Component 3.2: Fiscal Cadastre of Properties

The output targets set for 2021 for the establishment of a fiscal zone value-based property tax on buildings and operationalisation of tax collection were not achieved. The purpose of the cadastre was to consolidate and improve the quality of all existing data on land, buildings and owner/occupants, and to calculate the annual tax obligation associated with each property. The first taxation of buildings from the system could not be carried out due to low quality of above-mentioned data and lack of engagement from the municipalities in registering and updating data in the system. The output target related to appraisal process of value zones for buildings determined in all municipalities was not achieved.

Component 3.3: Customs management

Two out of three output targets set for 2021, to enhance collection of duties by improving policies/procedures and custom processes, were achieved. Module of single guarantee implemented and is currently in test phase. During 2021, continue development of the quality management system at the Customs laboratory aiming to analyse all the import and excise goods arriving to Albania. 16 entities applied for the status of AEO and eight of them received the approval for AEO status. The contract for Integrated Tariff Management System (ITMS) is under implementation; equipment arrived and tested at National Agency for Information Society (NAIS) premises.

GDC is working to create a comprehensive risk management system in line with the EU. IT system to assist in the fight against money laundering and terrorism is under implementation. Delays were connected to ASYCUDA Upgrade Contract Subscription with UNCTAD. Trainings continued through 2021, but were limited due to COVID19 reasons.

Key challenges and next steps

Under this Specific Objective the main challenging component relates to the Fiscal Cadaster of Properties. The output related to this component was not achieved, due to the IT system Risk and operational risk. The first taxation of buildings from the system could not be carried out due to lack of engagement from the municipalities in registering and updating data in the system and low quality of data. The IT System is upgraded and will be ready for taxation. In this aspect has started a pilot process in some of the municipalities. Six pilot municipalities will use the Fiscal Cadaster system to collect building tax. The output target related to appraisal process of value zones for buildings determined in all municipalities was not achieved, due to operational risk. As the project was prolonged, the appraisal process was not done, due to lack of quality of the data or missing data. The analysis data is in progress. Due to lack of data and missing information, next step is working on a market research from alternative sources, in order to have some additional information for comparative analysis and evaluation process.

Regarding Customs management, during 2021, there were delays in the implementation of ITMS due to the subscription of the contract by EU Commission. Also, there were delays regarding IT system to assist in the fight against money laundering and terrorism, due to delays connected to ASYCUDA Upgrade Contract Subscription with UNCTAD. The challenge regarding development of the quality management system is related with lack of funds for maintenance of Equipment.

Regarding Tax Administration, the output target aiming to adopt a comprehensive medium-term revenue strategy, was not achieved as targeted for 2021, but has made some progress. The MTRS is a strategy which was drafted during the first quarter of 2020 and was expected to be released for public consultation during the second quarter of 2020, and then to be implemented in the last quarter of 2020. The extraordinary and unknown situation faced, not only our country, but the whole world as a result of the Covid 2019 pandemic, influenced in taking a step back in all the plans that our country had, to cope of the aggravated financial and psychological situation of taxpayers and citizens. Due to the pandemic, in an aggravated economic situation for both individuals and businesses, proposing new fiscal policies became almost impossible. During this period, emergency fiscal measures were taken to freeze / postpone tax payments in order to support businesses in the difficult conditions of the Pandemic. The draft MTRS will be approved within 2022.

The output target related to implementing automated risk-based procedures for all VAT refunds and credits carried forward was not achieved as targeted for 2021. It has been realized 95% during 2021 and the system will go live in April 2022 after the tests are finalized.

The output target related to DWH capabilities available, was not achieved. DWH working group was established (March 2021) to identify the registers and data used by the TA and to structure data in order to integrate into DWH.

The output target related to interfacing the IT system with banking systems and with the system managing immovable property was not achieved. The criteria of the Risk Module have been updated, improved and analysed in cooperation with an IMF expert. The risk criteria of the Fiscalization Module will be implemented in the coming years.

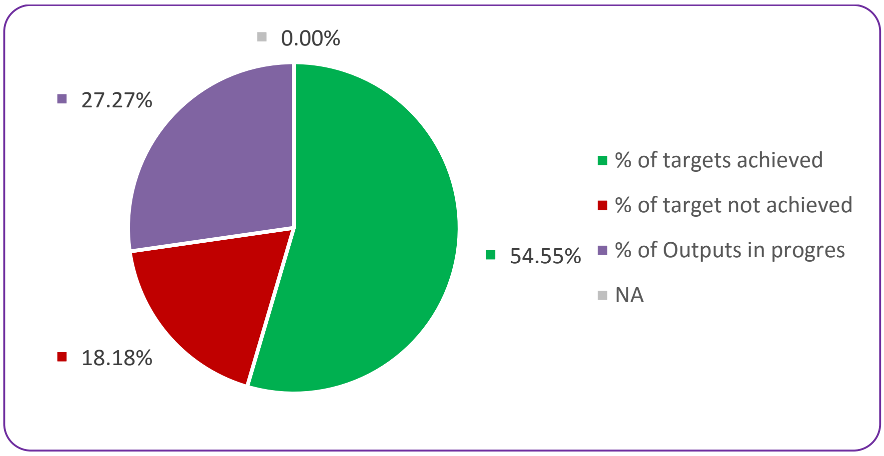
3.4 Progress under Specific Objective 4 “Efficient Execution of the Budget”

In order to ensure efficient and effective use of the approved budget resources, efforts were made to (i) Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year); (ii) Expenditure arrears monitoring (in AGFIS); (iii) Stock of domestic debt re-fixed within one year; and (iv) The average maturity of domestic debt; v) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register; vi) The percentage of cases when the review body exceeds the legal maximum processing time. The performance indicator related to total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government has not progressed as planned. During 2021, the level of achievement of the outcome performance indicators' targets aiming to strengthen the ensure efficient and effective use of the approved budget resources was assessed as very good, with 106 % of progress made, standing in the same category compared to 2020 (93%- very good).

Table 5: SO4 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY20	Target FY 2021	Fact Value FY2021
XI) Efficient budget execution (through use of IT support)	XIa) Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government	78%	≥ (t-1) (growing trend)	75,5%
XII) Arrears are minimized	XIIa) PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year	4,40%	Below 3%	Below 3% (2.2%)
	XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)	A	A (Data generated quarterly within four weeks of the end of each quarter)	A (Data generated quarterly within four weeks of the end of each quarter)
XIII) Costs of borrowing is reduced and cash is available when needed	XIIa) Stock of domestic debt re-fixed within one year	46,7	Max 48%	48,0%
	XIIb) The average maturity of domestic debt	783	792 - 864 days	793
XIV) Increasing the efficiency and transparency of procurement system	XIVa) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register	47,4%	(increasing trend)	60,2%
	XIVb) The percentage of cases when the review body exceeds the legal maximum processing time	22,10%	≤ (t-1) (declining trend)	10,8%

Graph 7: 2021 status of SO4 outputs targets



AGFIS is the key system-based tool for controlling and monitoring revenues and expenditures. The government still plans to roll-out the system to all major BIs. During the period 2014-2021, 15 budget institutions were enrolled into AGFIS, representing around 75.5 percent of total spending. The indicator is slightly lower comparing with the previews year because of the budget volume of existing online BI's into AGFIS, not because of the decrease of online BI's number into the system, the number of BI's remains the same during 2021. Good progress was made with the integration of AGFIS with Human Resources Management Information System (HRMIS), which went live in November 2021 and for the first time 45 BI were able to execute payroll through AGFIS. Web Portal for electronic archive was accessible to 145 BIs by the end of 2021. The first years of the Strategy implementation aimed to create safeguards required to prevent a new build-up of arrears by introducing multi-year commitment controls. AGFIS was enhanced for that purpose, and subsequently the BIs were limited to over-commit. Also, a new instruction aiming to standardise the procedures for management of commitment ceilings were issued. However, new arrears are still emerging, and therefore measures to strengthen commitment and expenditure controls continued to be the focus of the MoFE. In 2020, an Arrears Working Group (AWG) to monitor their development and to provide systematic recommendations was established by the Minister of Finance and Economy. In 2021, the rate of arrears as a percentage of total expenditure was 2.2%, achieving the target below 3% and lower than 2020 fact value (4.4%). MFE is working toward strengthening the compliance to commitment controls and preventing the accumulation of new arrears and ensuring transparent reporting on the stock of arrears. Target related to outcome indicator Public Expenditure and Financial Accountability (PEFA) 22.2 Expenditure arrears monitoring was met, the data are generated quarterly within four weeks of the end of each quarter. A positive development was the engagement of the internal auditors in the audit of the arrears in the most problematic entities. Findings and recommendations were included in the 2021 Annual Public Internal Financial Control (PIFC) report and broadly discussed in the PIFC Board meetings.

The GD of Treasury has been working to improve the liquidity forecasting and monitoring and most of the targets were achieved during 2019 - 2021. In 2021, stock of domestic debt re-fixed within one year was 48%. There is an increased compared to 2020, but remains within 2021 objective. Benchmark instrument and Euro Bond denominated one that matures in 2022 do not allow further improvement of such indicator. The average maturity of domestic debt is 793 days. There is an increased trend, but within the target. Issuance focused on mid-long-term instruments. GDD is working for preparing a new Debt Management Strategy which is expected to be completed within June 2022.

Progress was made to amend the Public Procurement Law (PPL) to further align with the *Acquis Communautaire* (new EU directives). A new law on public procurement has been adopted on December 2020, transposing 4 directives of the EU. Pursuant to Law 162/2020 "On Public Procurement", the secondary legislation has been adopted in 2021. Plans to further upgrade the electronic procurement system (EPS) that were not materialised during 2020 were implemented during 2021. The EPS has experienced changes in its functionalities in order to adapt to the new legal framework and also to improve its overall performance. The interface of AGFIS and EPS was established in 2020, and online control of available funds could be performed before any procurement procedure starts. The indicator % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register for 2021 was 60.2%, there was an increased trend compared to 2020. Regarding Public Procurement Commission (PPC), legal and regulatory measures were undertaken to enhance its independence. The new PPC became operational on 16 July 2018, and all vacancies were filled as planned for period 2019 - 2021. From October 27, 2021, the electronic e-complaints management system in the field of public procurement is established and successful implemented. The percentage of cases when the review body exceeds the legal maximum processing time for 2021 was 10.8%, there was a declining trend compared to 2020. The improvement of this indicator has come as a result of good work management.

A system for the management of external funds, EAMIS was deployed in June 2018, and work is done in strengthening compliance with entering the required data and using it as the prime source of information for all donor funds. During 2019, all data regarding WB projects were entered due to the full integration of the

EAMIS with WB Client Connection. During 2020-2021, efforts are made to record the external aid data of 2017-2020. Awareness among the Development Partners community is raised and on-request refresher's training sessions were organized.

The regulatory framework on State Aid was improved to be in line with the EU regulations and guidelines. During 2019, MoFE worked in preparing the secondary legislation and an inter-ministerial working group on state aid was established and the first meeting was held in December 2019. Over the years, efforts are made to improve database for monitoring the implementation of state aid and activities to raise awareness on the role and duties of the State Aide Commission (SAC) have taken place. During 2021, work continued on improving the database for monitoring the implementation of state aid, while only two SAC decisions were approved due to the low awareness of state aid providers on state aid legislation. Awareness activities on the role and duties of the SAC were not conducted as planned, so notification of the state aid scheme will be reviewed.

Components progress made during 2021

Component 4.1 Expanding the use of AGFIS

The output targets related to integration of AGFIS with other government systems were not achieved, even though some progress was made. In November 2021 the HRMIS-AGFIS integration went live successfully. In 2021 for the first time 45 BI were able to execute payroll through AGFIS. In 2021 the Web Portal for electronic archive was accessible to 145 BIs out of 1100 BIs, 110 of them were since 2020 and only 35 were new. During 2021 no much progress was made since AKSHI was still in process for the upgrades of AFMIS Hardware.

Component 4.2: Multi-annual commitment controls and accounts payable

All the planned targets for applying multi annual commitment controls and recording of accounts payable, including arrears, were achieved during 2021.

Report on multiannual commitment data is published in the MoFE website[10]. The annual commitment data are reconciled between the treasury districts offices and the spending units of central and local government by the instruction of the minister no. 25 dated on December 9, 2021 "On the procedures of closing the annual budget accounts for 2021" except a part of BIs online with AGFIS. BIs online with AGFIS inherit themselves (not from the treasury district offices) the multiyear commitment data of the previous year in the next three years against the budget plan (MTBP) registered in AGFIS.

The CHU IA has institutionalized the audit of arrears every year, in all public entities where the IA is established. For the year 2021, 62 Internal Audit Units carried out the audit of arrears and their finding and recommendations have been reported to the head of institution and to the CHU IA (as part of the Annual Activity Report). The draft of guidelines “Auditing of Arrears in public entities” is distributed and discussed during dedicated trainings with all internal auditors during 2021, and the final draft of the guideline is expected to be approved by MOFE within June 2022. Current controls and procedures resulted to be sometimes ineffective in mitigating the risk of creation of new arrears. The unusual situation because of pandemic situation was still present during 2021, especially in local government units, were the stock of arrears is increased. The IA findings related to arrears are presented in the 2021 PIFC annual report and to the PIFC Board in May 2022.

Component 4.3: Debt and cash management

The GD of Treasury has been working to improve the liquidity forecasting, and 2 target outputs were achieved. Cash Flow forecasts of the government (Cash Flow) are prepared on a daily basis for the entire fiscal year and are updated at least monthly. Daily data within the month are updated by the realisation report

[10] http://www.financa.gov.al/ecuria-e-investimit-te-projekteve-2/

of Bank of Albania respecting the monthly targets approved by minister (budget-macro-debt targets). Deviances between forecasts and actual data are measured, analysed and monitored in a monthly and annual basis in order to improve forecasting data in the next periods.

During 2021 the BIs are assisted by the staff responsible for liquidity forecasting on the preparation of data and their submission according to the defined formats.

The General Directorate of Debt (GDD) has not achieved the target output to adopt and publish the Debt Management Strategy 2022-2024 before the start of the year. The approved and published strategic document (SAMB 2021-2023) provides a set of well-defined targets and objectives and gives a good guidance for reaching the objectives in the covered period. However, given the latest developments that has impacted the debt management as well, drafting a more elaborated document is found necessary and GDD is working for preparing a new Debt Management Strategy which is expected to be completed within June 2022.

GDD is working regarding the expansion of primary and secondary market. Although, 2 benchmark instruments were issued in the primary market during 2021: i) 3 y reference instrument, in size 21.50 bln ALL; and ii) 5 y reference instrument in size 26.40 bln, the secondary market activity transactions are still very low in number and size.

Component 4.4: Public procurement

The Public Procurement Agency (PPA) has achieved the output target in revisiting the PPL to be harmonised with EU directives. In particular, pursuant to Law 162/2020 "On Public Procurement", the secondary legislation has been adopted as follows:

1. DCM no.285, dated 19.05.2021 “On public procurement rules".
2. DCM no.384, dated 30.06.2021 “On the communication method in public procurement”.
3. DCM no. 457, dated 30.07.2021 “On the common procurement vocabulary”.
4. DCM no. 768, dated 15.12.2021 “On determining the social services and other specific services and the adoption of the rules for their procurement”.
5. 29 sets of standard tender documents for the procurement procedures
6. 8 Instructions.

The Public Procurement Commission (PPC) output targets to provide legal protection for tenderers and public interest at all stages of the public procurement for 2021 were achieved. PPC continued the process of increasing the institutional capacities, following the recruitment procedures for the vacant positions. Specifically, during 2021, were followed the procedures for recruiting these positions: Director of Monitoring, Support Services and Finance, Head of the Monitoring Department for the Implementation of Decisions and Legal Services, Head of the Sector of Support Services and Human Resources, two inspectors, one literary editor, one IT specialist. Also, the Public Procurement Commission has been filled with three new members with a 5-year mandate since June 2021.

The electronic e-complaints management system in the field of public procurement is established and successful implemented. From October 27, 2021 the Public Procurement Commission operates through the new digital complaints management system. PPC will further continue to work for the completion of the Electronic Complaints Register with the necessary additional elements, such as the type of procedure and the limit fund for each procurement procedure object of complaint.

Moreover, PPC has organized special training sessions in collaboration with SIGMA-OECD, Euralius, ASPA, School of Magistrates, and University of Tirana, focused mainly on the new challenges of the Public Procurement Commission and in the context of legal changes that have occurred. Also, ASPA organized webinars for PPC administration employees for updating, enriching and sharing their experiences.

The PPA has achieved the output target for 2021 in order to further enhance the electronic procurement system (EPS). In particular, The EPS has experienced changes in its functionalities in order to adapt to the new legal framework and also to improve its overall performance. Some of these changes involve the introduction of open data section. With the EPS changes manuals and instruction have been amended as well. PPA has adopted Manuals for the contracting authorities and economic operators on the electronic conduct of public procurement procedures, dynamic purchasing system for airplane tickets, small purchasing procedures and preparation of the forecast and realizations registers. Also, PPA has also adopted the manual on the registering of the economic operators and the bids submission in the EPS. Lastly, PPA has adopted the manual on the integration of the EPS with AGFIS.

Component 4.5: Management of external funds

The population of the Management Information System with the external aid data was not finalised as planned during 2021. External aid data of 2019 and 2020 were partially recorded into the system. However, MOFE has raised awareness among the Development Partners community on the importance of their involvement to populate EAMIS. Internal processes of the system was streamlined to make it more user-friendly and responsive and on-request refresher's training sessions were organized. Also, regular system maintenance was provided as part of the post warranty maintenance contract to ensure smooth running of the system and address technical issues.

Component 4.6: Strengthening state aid role

Target aiming to improve and implement the regulatory framework on State Aid was achieved. Based on the Order of the Prime Minister[11], two meetings of the inter-ministerial working group on state aid were held with the purpose a) to coordinate the work with aid providers on preliminary consultations for the draft legal acts containing elements of state aid, and b) update the inter-ministerial working group on the state aid management process. The aim is to revise and draft the legal and sub-legal acts, projects and development strategies, and as well identification of elements of state aid, in order to further improve the regulatory framework on State Aid.

Not all the targets aiming to have an effective database for monitoring the implementation of state aid schemes were achieved. MoFE has worked on improving the database of state aid schemes. An annual state aid report for 2020[12] was prepared based on the information provided by the grantors of state aid schemes. The purpose of regular annual reporting on state aid is to ensure transparency in the field of state aid following the methodology of the European Commission. This report provides an overview of key developments in the field of state aid, as well as on the main instruments used in the period 2015-2020 is provided. During 2020, the most used instrument is State Guarantees (48%), followed by Subsidies and grants (44%), and Tax exemption, tax deferral, tax rate reduction and deduction, social security contribution (8%). The State Aid Commission has approved only two decisions[13] less than planned due to the low awareness of state aid providers on state aid legislation.

The target set for 2021 to raise the awareness on the role and duties of the State Aid Commission was not achieved as planned. The public was informed only on one new aid schemes, namely “Authorization of State Aid for the Empowerment of Women and the Promotion of Entrepreneurship, while the target was to have at least three new schemes as notified last year. The new aid scheme is published in the Official Gazette[14].

Key challenges and next steps

[11] Prime Minister's Order No. 128, dated 1.10.2019 “On the establishment of the Working Group on State Aid”
[12] DCM No. 348, dated 16.06.2021 “On the approval of the annual report on state aid for 2020”
[13] SAC Decision No. 103/2021 “Authorization of State Aid for the Empowerment of Women and the Promotion of Entrepreneurship” and SAC Decision No. 102/2021 “On the Approval of the Annual Report on State Aid for 2020”.
[14] https://qbz.gov.al/eli/fz/2021/141/e32295cc-e849-4cb0-908c-17044105b759

Under this Specific Objective the main challenging component relates to the expansion of AGFIS use to other Budgetary Institutions, because lack of adequate financial for new AGFIS user license acquisition and non-available services of specialized functional expertize/support of AGFIS. Receiving some external functional assistance it is seen of paramount importance to address these difficulties. For 2022 the budget for new AGFIS user licenses is approved for 5 new BI's. However this number is depending from user licence price agreed and the exchange rate of Euro during the procurement process. Also, staff training process will start immediately after the new AGFIS user licenses acquisition confirmed. Another challenge in this component was about access of all BI's in Web Portal which was not completed due to lack of support for Web Portal and AGFIS, Stability of functional AGFIS Support and development of staff. To overcome this challenge the immediate work will be in going ahead with the roll out as soon as the upgrades of AFMIS Hardware are in place.
With regard the monitoring of compliance with multi-annual commitment controls the target was achieved, however a challenge faced was Human Resources (awareness of staff responsibilities and collaboration, also professional skills).

A challenge faced regarding training of staff responsible for liquidity forecasting on the preparation of data and their submission according to the defined formats, was the lack of availability of BIs to be trained as a pilot unit. GD of Treasury will continue efforts to communicate and provide their assistance for pilot BIs and training of new staff of the liquidity management unit. The GDD has not achieved the target output to adopt and publish the Debt Management Strategy 2022-2024 before the start of the year, due to changes in the macroeconomic background and lack of human resources/sustainable capacities. Debt Management Department is working for the preparation of the new Medium Term Debt Management Strategy (MTDMS). The secondary market activity transactions are still very low in number and size and the challenge was the lack of human resources in the borrowing department. GDD will improve the reporting in the secondary market. Public Procurement Commission has achieved 2021 output targets, however some challenges were faced during implementation, such as: candidates did not meet the criteria for recruitment; accommodation of economic operators in the use of the new online complaint submission system, through the unique government portal E-Albania; and funding support for organizing specialized trainings.

With regards to EAMIS information on external funds, 2019 and 2020 data was partially entered into EAMIS due to high volume of data to be recorded and most of the workload necessitates to be carried out manually by the focal points. Related with strengthening of state aid role, not all targets were achieved as planned due to the low awareness of aid providers and risks that have affected the non-notification of schemes. For this reason, notification of the state aid scheme will be reviewed in order to further increase the awareness on the role and duties of the State Aid Commission.

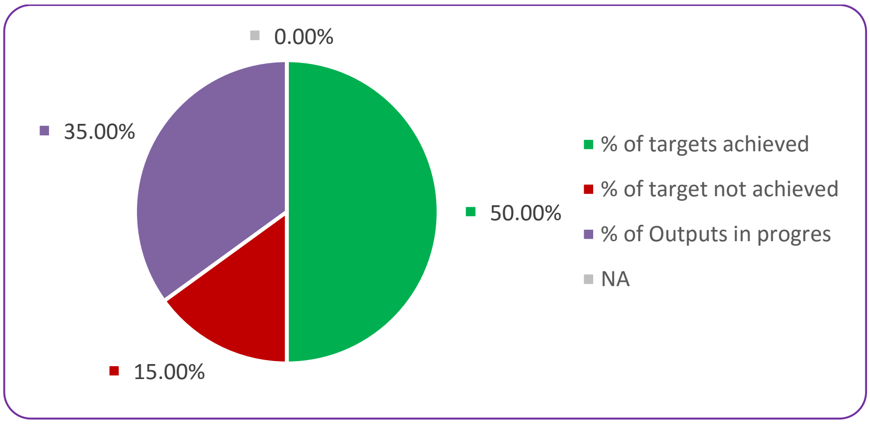
3.5 Progress under Specific Objective 5 “Transparency of Public Finances”

In order to improve the coverage, quality and accessibility of information on public finances, efforts were made to (i) strengthen systems and capacities to prepare government financial statistics in line with international standards; (ii) Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs; (iii) provide formal opportunities for the public to engage in the budget process; and (iv) moving on a phased basis to presenting accruals-based government financial statements. The performance indicator related to prepare a full asset registry has not progressed as planned. During 2021, the level of achievement of the outcome performance indicators’ targets aiming to strengthen the Transparency of Public Finances was assessed as good, with 80 % of progress made, standing in the same category compared to 2020 (75% - good).

Table 6: SO5 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY20	Target FY 2021	Fact Value FY2021
XV) Strengthening systems and capacities to prepare government financial statistics in line with international standards	XVa) Compilation of Government National Accounts according to International Methodology (ESA 2010)	75%	75,0%	75,0%
XVI) Accountability and transparency through financial and non-financial performance reporting is enhanced	XVIa) Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs		25,0%	25,6%
XVII) Providing formal opportunities for the public to engage in the budget process	XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)	7 out of 100	≥ (t-1) (growing trend)	7 out of 100
XVIII) 'Presentation of financial statements as per selected IPSAS framework	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	0%	≥ (t-1) (growing trend)	10,0%
XIX) Preparation and publication of full asset registry of public sector, based on the improved regulations for the valuation and inventory of these assets	XIXa) Public assets recorded into the AGFIS	3	5	0

Graph 8: 2021 status of SO5 outputs targets



Strengthening systems and capacities to prepare government financial statistics in line with international standards was on the main focus since the Strategy started. Number of completed and submitted tables to Eurostat were 75 percent in 2021, the same percentage with the year 2020. The memorandum of Understanding between MoFE, Institute of Statistics (INSTAT) and BoA was created in 2016. Based on the Memorandum of Understanding two Inter-institutional Working Groups were created in 2016 and regular meetings were held in 2021. During 2017, for the first time INSTAT compiled and transmitted Government Finance Statistics (GFS) for non-financial accounts for General Government sector following the European System of Accounts (ESA 2010). INSTAT published every year the List of Public Institutions[15], which are classified inside General Government sector S.13. This list is updated and approved every year by the three institutions involved: INSTAT, Ministry of Finance and Economy and Bank of Albania. The list includes all public sector institutions that are part of the General Government sector, budgetary and extra-budgetary units, also Public Financial Corporations and Public Non-financial Corporations that are owned by public entities. During November 2019 it was published the "Harmonized Revision Policies for Macroeconomic Statistics[16]" by INSTAT, which it's based on the Harmonized European Revision Policy (HERP) and in other manuals published by EUROSTAT, which sets out the policies to be followed by statistical institutes of different countries to make comparable statistics with other countries. During 2021, INSTAT has used the IT system developed for compiling GFS and EDP statistics. Using the new Albanian Integrated GFS Compilation System (AIGCS), 5 GFS tables were transmitted to EUROSTAT. Using the same system where compiled and transmitted to Eurostat twice per year (end of April/end of October) the EDP tables. In this regard the tables for General Government sector, based on ESA Transmission Programme are automated and the statistical system was created. Memorandum of Understanding between MoFE, INSTAT and Bank of Albania was not seen necessary for revision in 2021. INSTAT will continue to improve the system including the new data sources and methods in order to produce GFS and EDP statistics in line with ESA 2010 methodology.

Accountability and transparency through financial and non-financial performance reporting is enhanced during 2021 with 25.6 % in accordance to the target aimed, 10 out of 39 monitoring reports submitted by LM/ BI had reported in accordance with the data generated by the AFMIS system. For 2020 there was no target relating this performance indicator.According to the Open Budget Survey of 2017, since 2015 Albania has increased (a) the availability of budget information provided in the Audit Report and the Pre-Budget Statement, and (b) the number of published budget execution reports. Also, procedures for in-year budget implementation have improved and the Mid-Year Report of Macroeconomic, Fiscal and Budgetary Performance of the government was published on the MoFE website[17] for the first time in 2017. Albania improved slightly further in the Open Budget Survey of 2019 as it has published also the Mid-Year Review online. The government annual and in-year budget execution reports templates and content were revised during 2019**.** On-the-job sessions with the programme managers and Finance Departments of two LMs aiming to improve the annual and in-year budget execution templates took place in 2020. Moreover AFMIS was rolled out among all LMs and budgetary institutions and the respective data have been uploaded into the system. A New template for Annual Budget Execution Report, including KPI that are aligned with the AFMIS and financial information was designed and implemented during 2021**.** New templates of Guideline for budget monitoring annexes, that include KPIs was not designed as planned during 2021 due to the BPPM module on the AFMIS system problems.

The last assessment from Open Budget Index (OBI) **in providing formal opportunities for the public to engage in the budget process**, was done in 2019, and public participation for Albania is evaluated as 7/100 point. The same evaluations remains for 2020 and 2021. The OBI is the world's only independent, comparative

15 http://www.instat.gov.al/en/themes/economy-and-finance/national-accounts-gdp/publication/2021/list-of-public-institutions-2020/

16 http://www.instat.gov.al/media/6557/harmonized-revision-policies-for-macroeconomic-statistics.pdf

17 http://www.financa.gov.al/raporti-i-mes-vitit-mbi-zbatimin-e-buxhetit-2017/

measure of central government budget transparency. The OBI assigns countries covered by the Open Budget Survey a transparency score on a 100-point scale using 109 of the 140 questions on the Survey. These questions focus specifically on whether the government provides the public with timely access to comprehensive information contained in eight key budget documents in accordance with international good practice standards. The MoFE has been assisted by BOOST initiative, a World Bank facility to grant access to budget data and promote effective use for improved decision-making processes, transparency and accountability. Starting from 2015, the 2016 Annual Budget Law[18] was formulated in a more transparent and comprehensive manner and "Budget at a Glance" and a simplified "Citizen Budget" were published. During 2020, a budget hearing calendar with key budget processes was prepared and implemented. Also, a Citizen's Budget guide was developed and published in 2019, 2020 and 2021. Trainings were also provided during 2019-2021 to CSOs to enhance their capacities to understand the budget cycle.

Regarding accounting, the comparative analysis (Gap Analysis) between the current legal framework in the field of Public Accounting and International Public Sector Accounting Standards (IPSAS) was finalized and findings presented in a workshop in May 2017. Based on the gap analysis, the Government approved a country Strategic Action Plan for transition to IPSAS in October 2019. Also, a specific function within the GDHPIFC dedicated to accounting was created to be responsible for updating the public sector accounting methodology as well as legal and sub-legal acts in the private sector. During 2021 has been done some progress regarding the **Moving on a phased basis to presenting accruals based government financial statements, evaluated with an increase of 10 percent compared with 0 percent in 2020**. The final strategic objective is the preparation of the financial statements of public sector institutions based on selected IPSAS. The targets aiming to improve accounting regulatory framework and enhance AGFIS to record accrual accounting data were not achieved in 2021. Even though, there are carried out some activities such as the gap analysis of national accounting standards comparing with IPSAS and a report estimating the quantitative impact for implementation of each IPSAS individually was provided by the consultant. Also, there were provided some draft accounting instructions regarding different elements of financial statements, that will be used in the preparation of financial statements based on IPSAS. During 2021 only 25 public sector accountants out of 50 planned were trained

Regarding the "Public assets recorded into the AGFIS" there was no progress done during 2021 as the Budgetary Institutions online with AGFIS did not prepare dhe assets inventory to be migrated into AGFIS. The development of the methodology for asset recognition was not finalised as planned for 2020-2021. Three BIs, namely Ministry of Culture, Ministry of Tourism and Environment and Albanian Road Authority have entered the assets inventory in the asset module during 2020, and 6 staff of these BI's were trained, whereas for 2021 no progress was made.

Components progress made during 2021

Component 5.1: National Government Accounts

Progress was made during 2021 by INSTAT in creating a sustainable statistical system for the general government units. Two output targets planned for 2021 were achieved, whereas the target related to the Memorandum of Understanding between MoFE, INSTAT and Bank of Albania was not seen necessary for revision. However, in regard to the two Inter-institutional Working Groups created in 2016 regular meetings were held in 2021.

In order to have a sustainable statistical system for the General Government Units **the Automated budgetary Government Compilation Systems and Auxiliary systems** (extra-budgetary units, debt & interest, linkages with national accounts methodology) **were developed**. Using the new IT system for compiling Government Finance Statistics, 5 GFS tables were disseminated to EUROSTAT. The three institutions are using this system

[18] http://www.financa.gov.al/buxheti-2016/

for generating Government Finance Statistics for internal usage only, not for publication. Some modules of the system were tested during 2020, but the system was completed in 2021. INSTAT is leading actor in this process, and in this regard the Inter-institutional Working Group has been meeting regularly. The IT system for compiling Government Finance Statistics was created with the support of the TA from SECO and assisted by IMF experts. The system will be used by three institutions for preparing (GFS) data according to the requirements of the (ESA) 2010 Transmission Programme INSTAT using the new system developed has sent to Eurostat all the tables for non- financial accounts for General Government sector starting from 2017 data onwards. The data are sent at experimental basis and they are not for publication. With the new IT system the data are revised and the coverage of the tables was improved.

The output "***EDP tables are revised and full statistical system created***" could be considered achieved as all its target are completed and there are no targets planned for 2022. In this regard the tables for EDP Transmission Programme are automated and the statistical system was created, even it was foreseen to be completed in Q2 2021 it was postponed to be completed in Q4 2021, because the project that helped in the realization of the target for this performance indicator could not perform its activities according to the initial plan due to COVID-19 situation.

Component 5.2: Financial and Performance Monitoring and Reporting

The government yearly budget execution report was improved during 2021. In this regard **a New template for Annual Budget Execution Report, including KPI that are aligned with the AFMIS and financial information was designed and implemented.** The report on the implementation of the annual budget presents the realization of budget funds and the realization of objectives at the product level and performance indicators.

In-year budget execution reports, including the mid-year review were not progressed as planned during 2021. In this regard the new templates of Guideline for budget monitoring annexes, that include KPIs was not designed as planned. The replacement of the annexes of the Guideline is not finalized yet until the BPPM module on the AFMIS system be completed and the reports scheduled to become part of the annexes would be fully updated with all financial indicators. During 2021, DMB has pursued several testing sessions on the spot, namely in several LMs, to monitor the performance of BPPM Module. As a result, several issues have come up, thus the responsible units and designer company have been informed for inconsistency of the reports generated from the BPPM Module of the AFMIS system. The next step considered to be taken by the responsible unit will be the following up with the solutions of the problems encountered during the generation of reports in the AFMIS system in order to finalize the new design of the guideline annexes.

Component 5.3: Citizen's Engagement

A Citizen's Budget guide has been published[19] as planned. The main aim of the guide is to enhance the citizens, CSOs and other groups of interest engagement on the government budget process.

The output targets of **"A budget hearing calendar with key budget processes is in place and implemented"** have made progress during 2021**.** In this regard **17 CSO were present in the budget hearings organized during July of 2021 out of 26 invited**. Minutes of CSO suggestions were held and are published as part of the Medium Term Budget Program of the technical phase. **Although, a series of online capacity building workshops with civil society organisations were made in 2021**. The trainings aimed at increasing CSO capacities for understanding of the state budget, and strengthening their capacities to play a watchdog role for public finances. The series of workshops started with two workshops held in November and December 2021, respectively, and the first one focused on the budget cycle and entry points for CSO advocacy; while the second on the different stages of the budget calendar and providing skills for sectoral budget assessment for CSO. The workshops were held remotely, due to the Covid-19 related restrictions and the level of participation was

[19] https://www.financa.gov.al/wp-content/uploads/2021/12/Buxheti-per-Qytetaret-2022.pdf

satisfactory (first webinar: 14 people from different CSOs (10) and the MoFE (4); second webinar: 13 people). The online webinars allowed to reach a wider range of CSOs.

Component 5.4: Accounting

The targets aiming to improve accounting regulatory framework and enhance AGFIS to record accrual accounting data were not achieved in 2021, but some progress was made. In regard to accounting regulatory framework during 2021, the consultant selected by MoFE in collaboration with MoFE staff, has helped in **drafting of the legal acts and accounting standards**, based on the gap analysis conducted by this consultant. During 2021, the consulting company in collaboration with MoFE has carried **out the gap analysis of national accounting standards comparing with IPSAS and a report estimating the quantitative impact for implementation of each IPSAS individually.** Also, there were **provided some draft accounting instructions** regarding different elements of financial statements that will be used in the preparations of financial statements based on IPSAS. Specifically, the instruction regarding accounting treatment of inventories and intangible assets in public sector was drafted. During 2021, the consultant has taken some activities to collect data regarding the report on institutional arrangement and business processes for accounting, reporting and related areas, and on the Assessment report on AGFIS functionality, which will provide recommendations for adjustments, including introduction or activation of new accounts and modules.

The capacity development plan was not achieved as targeted in 2021, but some progress was made. In this regard 25 public sector accountants out of 50 planned were trained. Also, 28 staff was trained, 18 more than planned. In regard of capacity development plan the assessment report of training needs was delivered by the consultant in February 2021, assessing the skills and knowledge of the pool of experts, decision-makers and budget holders, accounting and finance staff, transaction data entry staff, internal and external auditors. The competency Framework, which contains core competencies and levels of proficiency, learning objectives towards the capabilities, and competencies based on the range of selected characteristics, was prepared also in February 2021, 28 experts were selected from the public sector finance officers (mainly MOFE and Treasury, SAI, academia and Public Accountants Officers (PAOs)) and were part of the train of trainers plan, which was concluded with an exam in 10 December. Also, during 2021, was carried out for the first time the piloting of the training of 25 finance officers and accountants from the group of 100 accountants, from about 17 different public sector institutions.

Component 5.5: Asset management

Methodology for a full public asset inventory in Central Government (CG) institutions was not finalised. Based on the amendments and changes provided by the consultants through the activities of IPSAS project, MoFE has been drafting the methodology regarding the inventory, evaluation and depreciation of assets in public sector. This methodology will be approved within 2022. Non-coordination within the structures involved in drafting the methodology, leads to failure to give opinions / suggestions / comments in a timely manner, which results in delaying the finalization of the act within the set deadline. Also, this methodology is based in the instructions provided by the project, so it will be finalized during 2022.

The output targets planned for 2021 aiming to have full public assets recorded in AGFIS (for BIs rolled out into the system) was not achieved as planned because the Budgetary Institutions online with AGFIS did not prepare in time the assets inventory information to be migrated into AGFIS. As result, no reason to train BI staff for FA module to be used by them: Tirana Municipality, Ministry of Justice, Ministry of Defence, Ministry of Health, Ministry of Transports and Energy, Prime Minister Office,

Key challenges and next steps

Under this Specific Objective the main challenging component relates to the Asset Management, more specifically in regard to the not finalised Methodology and guidelines for a full public asset inventory in Central Government (CG) institutions, and in regard to not having progress in recording of public assets inventory in AGFIS. These were mainly due to the: non-coordination within the structures involved in drafting the methodology, leads to failure to give opinions / suggestions / comments in a timely manner, which results in delaying the finalization of the act within the set deadline; Also, this methodology is based in the instructions provided by the project, so it will be finalized during 2022; and the online Budgetary Institutions did not prepared in time the assets inventory information to be migrated into AGFIS.

Regarding the component of Accounting, despite of the work done by DoH / FMCA and the undertaking of necessary measures for the management of unfavourable situations, some of the challenges / risks which affected the realization of the products under this component were: 1. Restriction of field activities due to major factors such as the Covid-19 pandemic, so the experts had difficulties in the realization of the field visits activities, to collect important data for these instructions; 2. In some cases, due to the workload, there was a lack of engagement of managers and staff in the institutions regarding the availability of the required meeting, to collect data, which are important for these activities. To overcome these challenges in the next period (2022), the consultant will provide all the draft instructions regarding different elements of financial statements. It is foreseen that until April 2022, the instruction regarding accruals and expenses, provisions, employee benefits, financial instruments and consolidation of financial statements will be prepared. All the instructions to be provided by the consultant will be used in the preparation of financial statements based on IPSAS. So, for 2022 is foreseen to have analysing of the financial statements of different public sector institutions to select these pilot institution and the piloting of these instructions in 7 pilot institutions. Also, during 2022, based on the draft instructions prepared by the consultant, the report regarding the AGFIS functionality to define the adjustments or the need to activate new accounts or modules in the system, will be finalized.

Another challenge is related to the Financial performance monitoring and reporting, because the replacement of the annexes of the Guideline were not finalized as the BPPM module on the AFMIS system was not completed and the reports scheduled to become part of the annexes were not fully updated with all financial indicators. During 2021, DMB had pursued several testing sessions on the spot, namely in several LMs, to monitor the performance of BPPM Module. As a result, several issues came up, thus the responsible units and designer company were informed for inconsistency of the reports generated from the BPPM Module of the AFMIS system. The following up with the solutions of the problems encountered during the generation of reports in the AFMIS system in order to finalize the new design of the guideline annexes is needed to overcome this issue.

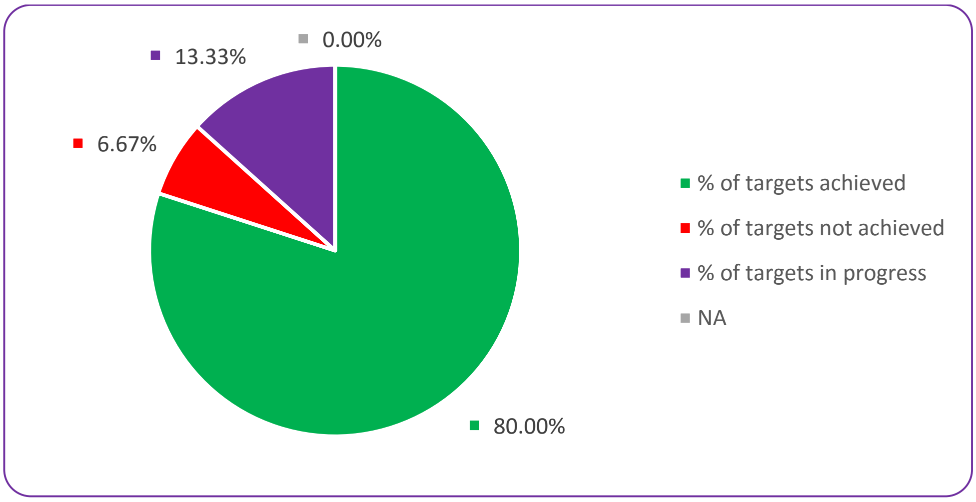
3.6 Progress under Specific Objective 6 “Effective Internal Control”

During 2021, the level of the achievement of the outcome performance indicators’ targets aiming to strengthen the Public Internal Financial Control system on central and local government level remains in the same category as in 2020 (very good), with 104 % of progress made, showing an improvement compared to 2020 (100%- very good).

Table 7: SO6 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY20	Target FY 2021	Fact Value FY2021
XX) Effective managerial accountability in all public institutions	XXa) The extent to which internal control systems are implemented in practice within the budget organisations	2,56	>(t-1) (Growing trend)	2,61
	XXb) Managerial accountability mechanisms in the regulatory framework	2,90	>(t-1) (Growing trend)	2,95
XXI) Strengthening internal audit function in public sector	XXIa) % of implemented internal audit recommendations	65%	>(t-1) (Increasing trend)	62%
	XXIb) Internal audit framework aligned with International Standards on Internal Audit	Gap analysis is performed	Legal framework updated	a) First draft of revised IA Law in place b) Three IA gudielines
	XXIc) The % of system base recommendations addressed VS the total of findings	42%	>(t-1) (Increasing trend)	67%
XXII) An efficient Public Financial Inspection	XXIIa) % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy)	85%	>(t-1) (Increasing trend)	88%

Graph 9: 2021 status of SO6 outputs targets



Concerning the effective managerial accountability in all public institutions, both outcome targets were achieved showing a slight improvement as compared to 2020. In order to measure the extent to which internal control systems are implemented in practice and whether managerial accountability mechanisms are regulated, the GDHPIFC has prepared an evaluation methodology for annually assessing the BIs. Based on the assessment performed for 2021, it resulted that the BIs scored 2.61 and 2.95 out of 4 respectively, showing an improvement compared to 2020 (respectively 2.56 and 2.9). The main developments during 2021 focused on improving the functionality of the system by providing technical assistance and raising awareness on the importance of implementing FMC instruments. However, there are still institutions that have not complied with the legal requirements of reporting the situation of the internal control system at the MoFE. In this context, there is a need to take effective measures to raise the awareness of managers to evaluate the issues identified through reporting and monitoring activities. With regards to managerial accountability mechanisms in the regulatory framework, all institutions have adopted organizational structures appropriate to the size and complexity of their activity. Also, the institutions have defined the mission statements and their strategic and operational objectives, part of the medium-term budget program document, having an organic link between these priorities and performance objectives. The lack of regular periodic reporting and taking concrete measures to address issues related to the internal control system remains a problem, as well as the use of regular procedures of delegation of tasks and responsibilities evaluated at unsatisfactory levels in all institutions. In this context, awareness of managers should be raised and measures should be taken to address issues and clearly define terms, rules and procedures to be followed in the process of delegating tasks within the public unit.

During 2015-2021, improvements and amendments were made to the Law 'On Financial Management and Control', and several sub-legal acts to support the primary legislation were adopted. The Directorate of Harmonization of Financial Management, Control and Accounting (DHFMCA) has conducted several activities to raise awareness of senior officials and managers on the importance of successful FMC implementation. In order to have a stronger financial management system and internal control environment in place, three important papers/documents were approved during 2020, namely (1) Policy paper on Further Development of PIFC in Albania for the period 2021–2022, (2) Instruction on the delegation of tasks, and (3) Methodology of internal control quality review. The GDHPIFC has worked in many directions to strengthen the PIFC system as well. A gap analysis of FMC law is carried out during 2021 and the first draft law is in place. The revised FMC law is expected to be approved within Q4 2022. Technical assistance was provided for five selected units (one of them is LM) for the implementation of the tasks delegation instruction. The DHFMCA has carried out the quality assessment of the internal control system in 20 public units and trainings aiming to have a functional internal control system in place. On–site monitoring activities of the functioning of the FMC system in some BIs have taken place during the period 2015-2021, as well as several capacity building activities, including trainings, coaching and study tours. Separate databases for IA findings and recommendations are established during 2020 and updated during 2021, and findings are reported to the PIFC Board.

With regards to strengthening internal audit function in public sector, not all outcome targets were achieved as planned during 2021 showing a slight deterioration as compared to 2020. During 2021, 62% of internal audit recommendations were implemented showing a deterioration as compared to 2020 (65%). Since the indicator considers the implementation of IA recommendations within two years (2020 and 2021), COVID-19 implications during 2020 and partially 2021 and the increased number of audit recommendations for changes in legal frameworks and other systems which also require time to be implemented, due to limitations of pandemic situation, the rate of implemented recommendations was decreased during 2021. 67% of system base recommendations were addressed showing an improvement as compared to 2020 (42%) due to improvements in audit approach focusing more on system based audits. While concerning to internal audit framework aligned with International Standards on Internal Audit, efforts are made to update the legal framework. During 2021, IA Law[20] is revised and the first draft is finalised, as well as three IA guidelines were updated. During 2015-2021, improvements and amendments were made to the Law 'On Internal Audit', and several sub-legal acts to support the primary legislation were adopted. Changes in IA Law aims to create appropriate environment for IA to carry out audits in fully compliance with IIA Standards. Furthermore, three IA guidelines are prepared covering the topics of (a) Risk Assessment in audit engagement; (b) Developing an internal quality control and improvement program; and (c) Auditing of Arrears. Separate databases for IA findings and recommendations are established during 2020 and updated during 2021, and findings are reported to the PIFC Board. On–site monitoring activities of the functioning of the IA in some BIs have taken place during the period 2015-2021, as well as several capacity building activities, including trainings and coaching. There are 135 IA Units established in central and local government by the end of 2021. 79% of internal auditors on duty are certified by the Commission for Qualification of Internal Auditors and the others will be certified during 2022-2023.

Work towards creating an efficient Public Financial Inspection is on track where implementation of financial inspection recommendations was improved as compared to 2020 (88% in 2021 vs 85% in 2020). External inspectors were selected to assist the Directorate of Public Financial Inspection (DPFI) to conduct inspections according to the expertise required. A screening of the external inspections list aiming to replace or hire new ones was carried out during 2020, and finalised during 2021. Training Needs Assessment for internal and external financial inspectors was carried out in the first quarter of each year and trainings were organized on several as required. The signature of 17 cooperation agreements with different institutions helped to strengthen the functioning of the Anti-Fraud Coordination Service (AFCOS) network over the years. The national anti-fraud strategy for the protection of EU' financial interest is not approved within the deadline, however work has started and the order for the establishment of the working group for the drafting of the strategy is approved in 2022.

Components progress made during 2021

Component 6.1: Financial management and control in all public institutions

The DHFMCA has achieved the majority of the targets aiming to establish a stronger financial management system and internal control environment. Several measures of the Policy Paper[21] "On Further Development of PIFC in Albania for the period 2021–2022" action plan were successfully implemented according to the timeline. Following the approval of the instruction 'On the delegation of tasks of employees in public sector units'[22], technical assistance was provided for five selected units (one of them is LM) for the implementation of the instruction. Staff of these units was also trained on the concept of managerial accountability and the importance of using delegation procedures and reporting lines, as well as on-site assistance on the use of precise delegation procedures was provided. Concerning the review of FMC legal basis in terms of integration of strategic planning, medium and annual planning and use of information systems, the necessity for improving legal basis was related with the issues identified in the annual evaluation reports of the internal control system, recommendations given by the Supreme State Audit, Internal Audit and international bodies. A gap analysis is carried out during 2021 where the main focus was on (a) increasing the effectiveness of the functioning of the internal control system in public units; (b) functionality of the PIFC Board and (c) strengthening sanctioning measures for the proper functioning of the internal control system. Also, the reflection of the changes foreseen in the existing law has been successfully realized and the first draft is in place.

[20] Regarding IA function, IA law was not finalised as planned because it was seen necessary to take into consideration the findings of the 2021 SIGMA Assessment Report which was launched in December 2021.
[21] Order of the Minister of Finance and Economy no. 305, dated 18.12.2020
[22] https://financa.gov.al/wp-content/uploads/2020/01/Udhezimi-nr.4-date-29.01.2020-Per-delegimin-e-te-drejtave-dhe-detyrave-ne-njesite-e-qeverisjes-se-pergjithshme.pdf

The DHFMCA has carried out the quality assessment of the internal control system and trainings aiming to have a functional internal control system in place. Pursuant to the approved Methodology for Quality Assessment of the internal control system in general government units, during 2021 quality assessment was carried out in 20 selected units. At the end of the quality assessment process, a detailed report has been drafted with concrete findings and recommendations for the further development of FMC system. The internal control system in these institutions turns out to be mainly "partially effective". In order to strengthen the capacity of employees in the field of internal control, several trainings were conducted on the topics: (a) on the development of the risk management process, (b) on the principles and concepts of risk management and accounting in public sector and (c) on the concepts and importance of implementing an effective internal control system.

All targets set for 2021 to strengthen the PIFC monitoring system are achieved. A gap analysis of FMC law is carried out during 2021 and the first draft law is in place. The revised FMC law is expected to be approved within Q4 2022. Separate databases for FMC and IA findings and recommendations were updated during 2021. These findings and recommendations were included in the annual PIFC report. The strengths and weaknesses in FMC systems in public units as well Internal Audit findings and recommendations provided to improve the systems were discussed in the PIFC Board meetings.

Component 6.2: Internal Audit

Work is done to enhance the IA function in all general government units. The IA Law was revised based on the GAP analysis between the IA legal frameworks in Albania as compared with International Internal Audit Standards (IIAS) performed during 2019, findings and weaknesses identified by 2021 SIGMA Assessment Report, the Directorate of Harmonization of Internal Audit (DHIA) External Quality Assurance Reports and findings of High State Control (HSC). Changes in IA Law aims to create appropriate environment for IA to carry out audits in fully compliance with IIA Standards. Draft Law has been prepared in cooperation with SIGMA TA and was under the public consultation process by end of 2021. Furthermore, three guidelines were prepared with support of SIGMA experts covering the topics of (a) Risk Assessment in audit engagement; (b) Developing an internal quality control and improvement program; and (c) Auditing of Arrears. All guidelines were introduced to IA community and trainings on such topics were provided to internal auditors by the DHIA. Such guidelines will provide the internal auditors with additional instructions and knowledge about risk assessment, Internal Quality Program and auditing of arrears, in order to increase their auditing capacities.

Two output targets planned to increase the contribution of the IA to improve internal control systems were achieved. As it was reported by all IA units, during 2021 auditors have been evaluating the adequacy and effectiveness of internal control systems by focusing on: (a) financial management system in general, (b) issuing recommendations for improving the effectiveness of the internal control systems; and (c) following up the status of the issued recommendations. More than 7,660 findings were identified in system weaknesses and proper recommendations related to FMC are reported to the PIFC Board in the 2021 Annual Report.

Component 6.3: Public financial inspection

All targets aiming to enhance the role of financial inspectors were achieved during 2021. A Training Needs Assessment for internal and external financial inspectors was carried out in the first quarter of 2021. Trainings were organized on specific modules such as "The Code of Ethics", "Basic concepts of public financial inspection", "Handling of evidence", etc. 67% of the internal and external financial inspectors attended these modules. The 2020 Annual Report was prepared, shared and published in the official website of the MOFE including the findings on public financial inspections.

The national anti-fraud strategy for the protection of EU' financial interest is not approved within the deadline. The drafting of the strategy was foreseen to start within Q2 2020, but due to COVID-19 was decided to postpone the initiation of the process to Q3 2021 which was reflected also in the NPEI 2021-2023. The strategy is expected to be approved within Q4 2024.

Key challenges and next steps

Concerning the review of FMC legal basis, non-coordination within the structures involved in drafting the law, leads to failure to give opinions / suggestions / comments in a timely manner, which results in delaying the finalization of the FMC law within 2021. The first draft law will follow the procedure of the consultations and after reflecting all the comments and recommendation will be sent for approval within Q4 2022. While due to the lack of awareness of institutions on the concept of delegation according to FMC law and deviation of documented delegation rules, technical assistance will be provided for five general government units (Ministry of Defence, Municipality of Lezha and Belsh, General Prosecution Office and Agency of Public Procurement) in order to successfully implement the FMC instruments (delegation instruction and use of reporting lines, drafting of book of business processes, audit trail, risk register and action plan for setting up the FMC system). With regards to the functional internal control systems, despite the work done from the DHFMCA, some of the challenges faced on achieving the targets consisted of restriction of field activities due to major factors such as the Covid-19 pandemic; type of activity of the host institution reducing the availability of staff responsible for following the quality assessment process and implementation of the internal control system; lack of engagement of managers and staff in the host institution regarding the availability of the required documentation during the quality assessment process; lack of the necessary infrastructure to conduct the trainings and lack of planned budget for trainings. In the following, trainings are planned to be developed in cooperation with the Albanian School of Public Administration and the Local Finance Project. Relating to strengthening the PIFC monitoring system, work overload due to multiple activities leaded to untimely revision of the database and the availability of PIFC board members to analyse and make suggestions on reported issues.

Regarding IA function, IA law was not finalised as planned because it was seen necessary to take into consideration the findings of the 2021 SIGMA Assessment Report which was launched in December 2021. In order to have IA guidelines with clear and useful instructions, the draft guidelines were introduced to all 135 IA units through pilot trainings activities. After piloting phase and reflection of the final comments, the three guidelines will be sent for approval within September 2022.

Concerning the public financial inspection, COVID-19 and lack of the necessary expertise hampered the initiation process of the drafting of the national anti-fraud strategy for the protection of EU' financial interest. However, during the 2022, it was approved the order for the establishment of the working group for the drafting of the strategy, as well as some structures / institutions, part of the “AFCOS” service reporting network. Furthermore, DPFI/AFCOS will continue to coordinate the provision of technical assistance through continuous communication with European Anti-Fraud Office (OLAF).

3.7 Progress under Specific Objective 7 "Effective external oversight of the Public Finances"

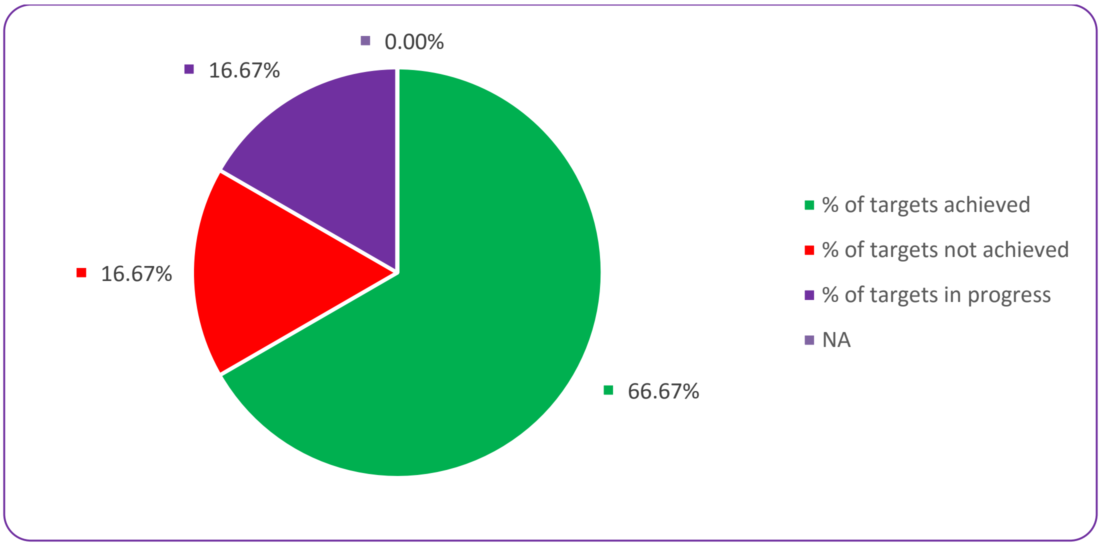
The level of the achievement of the outcome performance indicators' targets aiming to strengthen the external oversight function by bringing it in line with International Organisation of Supreme Audit Institutions (INTOSAI) standards is 120% in 2021 showing improvements as compared to 2020 (111%), remaining in the same category as in 2020 (exceeded).

Table 8: SO7 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY20	Target FY 2021	Fact Value FY2021
XXIII) Further enhancement of external audit as to maximize their value and benefits to society	*XXIIIa) % of audit recommendations accepted and implemented by auditees	**R acc:94%** **R impl:47%**	**R acc: ≥ t-1 (Increasing trend)** **R impl: ≥ t-1 (Increasing trend)**	**R acc: 93%** **R impl: 55%**
	XXIIIb) Proportion of financial (pure financial audit + combined audit) and performance audits	**FA: 7%** **PA: 12,5%**	**FA: ≥ 20%** **PA: ≥ 14%**	**FA: 36,7%** **PA: 11,5%**

**The indicators are measured for the period January - December 2020 as the implementation rate of recommendations is assessed only after 6 months after their issuance.*

Graph 10: 2021 status of SO7 outputs targets



Progress is made towards strengthening the external oversight function by bringing it in line with INTOSAI standards. Concerning the PI "% of audit recommendations accepted and implemented by auditees", for the year 2021 it can be noticed a decrease by 1% of the recommendation accepted and an increase by 8% of the recommendations implemented by the audited entities which demonstrates the improvement of the quality of audit work of the SAI. With regards to the PI "Proportion of financial (pure financial audit + combined audit) and performance audits", for the year 2021 it can be noticed an increase by about 16.7% for the financial audit + combined audits and a decrease by 2.5% for performance audit. HSC has reviewed[23] the 2021 annual audit plan performing 158 audits out of 120 planned, in this way performing more financial and combined audits. In addition, due to the high public interest on specific issues, such as Covid-19 or the reconstruction work after the earthquake of November 2019, HSC in 2021 has increased the number of the thematic audits (7 in total) which were not planned on the annual plan. The change of the annual audit plan and the increase of the number of pure financial audit, financial audit and combined audits and the thematic audits has decreased the specific weight of performance audits planed versus the fact.

During 2015-2021 work is done to enhance the independence of the auditors. A new Law "On the Organization and functioning of the High State Control"[24] was approved in 2014 by the Parliament. The main purpose was to regulate the functional, operational and financial independence, mandate and organization of the Organization and to align to some requirements of International Standards for Supreme Audit Institutions (ISSAI) such as the use of financial and/or performance audit. A working group was established in 2020 to work on the amendments of the Law based on the some findings of the 2020 EC progress report, as well as the implementation of best practices aiming to meet the obligations of Albania for opening the negotiations for chapter 32 "Financial control".

The Albanian Supreme Audit Institution (ALSAI) adopted some new International Standards for Supreme Audit Institutions which resulted in a shift from compliance to financial and performance audits. ALSAI has adopted new audit approaches and appropriate methodologies and guidelines were developed and updated. Manuals for compliance, financial, performance and IT Audit were adopted by the end of 2015, revisited and amended during 2020 and 2021. Performance Audit Manual was amended in 2021 as well. A new methodology for planning the auditing activity based on risks was approved in 2019 and a manual on Quality Assurance that meets ISSAI 40 standards was prepared as well. The annual audit plan are prepared each year based on this methodology. Capacity building and professional development of audit staff was one of the strategic objectives of ALSAI and every auditor received on average 25-28 days of training during the period 2015 - 2021 to help them to deepen their knowledge of financial, performance and IT audit as well as other thematic audit approaches.

Impact of audit through a better communication with all the stakeholders is enhanced. The communication and engagement with Parliament, Government, media and citizens improved with the implementation of ALSAI's Development Strategies and new Code of Ethics. Steps to address concerns regarding the reduction in the implementation of ALSAI recommendations were made through a Parliamentary regulation aimed at providing a more effective mechanism for monitoring the follow-up of findings, although further work is needed. Moreover, a joint Secretariat with members from ALSAI and MoFE was established aiming to find ways to improve the implementation rate of ALSAI and internal audit recommendations. During 2020, an activity-based plan was approved and all planned activities were completed, while no meeting took place during 2021 due to the movement of staff at different management levels in ALSAI and MOFE. Several reports on the

[23] In order to fulfil the obligation, following the Decision of the Supreme Court no. 9, dated 23.02.2021 which has left into force the obligation deriving from article 50 of law no. 68/2017 "On local self-government finances" for the annual audit by HSC of the financial statements of local self-government units.

[24] Law no154 dated 21 November 2014

ALSAI activities were submitted to the Parliament, including the report on the implementation of the audit recommendations.

Components progress made during 2021

Component 7.1: External Audit

Target aiming to enhance the independence of auditors is not achieved as planned. The draft Law was submitted to Parliament for approval since January 2020. However, based on the some findings of the 2020 EC progress report, as well as the implementation of best practices aiming to meet the obligations of Albania for opening the negotiations for chapter 32 "Financial control", it was decided to revise the Law which is foreseen to be approved by the Parliament by the end of 2022.

All targets planned for 2021 aiming to further align audit approaches to international standards were achieved. *First*, the annual audit plan for 2021 was prepared based on the revised methodology "Strategic and annual planning methodology of auditing activity based on risk". As a result, for each audit planned to be performed during 2021, the risk level was determined, as well as for each individual audit, the program and directions of the audit were determined based on risk analysis. *Second*, during 2021, the ALSAI staff was engaged in reviewing and amending the regulatory framework of the institution, such as: revisited the audit manuals in accordance with the "Professional Statements of the INTOSAI Framework". Performance Audit Manual was updated and approved in November 2021. In December 2021, a training was conducted with auditors of the Performance Audit Department and auditors of other audit departments in order to get acquainted with the updated manual. *Third*, ALSAI auditors, including the newly hired ones, have received 26.7 days of trainings on average. New auditors with up to 1 year of experience within HSC have completed 30.5 days of training. The trainings were organised both internally and externally. The main trainings topics were on INTOSAI Professional Standards, manuals and audit guidelines in force, on financial management, internal control and internal audit in the public sector, Anti-Corruption and Integrity, on the audit of issues related to the Covid-19 pandemic and on Public Procurement and Concessions.

Not all targets set for 2021 in order to enhance impact of audit through a better communication with all the stakeholders are achieved. The first target concerns the operationalization of the Joint Secretariat created under the Memorandum of Understanding (MoU) between ALSAI and MOFE. During 2021, no meeting of the Joint Secretariat took place due to the movement of staff at different management levels in HSC and MOFE. Due to changes of staff in HSC, the group representing HSC in the Joint Secretariat has been reshaped with the Decision No. 88, dated 20.09.2021. In September 2021, HSC informed MOFE on the changes of its staff and proposed the organisation of a meeting with the topic "Approval of the annual activity plan of the Secretariat for 2021". Regarding the second target, the ALSAI has submitted various reports to the Parliament such as: (a) the report on the follow-up of the implementation of the audit recommendations; (b) the 2020 Annual Performance Report; and (c) the 2020 Budget Execution Report.

Key challenges and next steps

Concerning the external audit, some challenges hampered the achievement of some targets such as approval of the HSC Law and operationalization of the Joint Secretariat. HSC Law was not in the agenda of Parliament for 2021. However, based on the findings of the EC progress report and the need to meet the requirements, a working group was established to work on the amendments of the Law. While, staff changes in HSC and MOFE affected also the representing group of Joint Secretariat which was reshaped in 2021. However, an online meeting of Joint Secretariat was held on 2 February 2022, with the purpose to discuss the draft action plan of the Secretariat. Four meetings are planned to be held during 2022 in which following issues will be addressed: (a) Establishment of a joint working group between the two institutions to draft the methodology for follow- up the implementation of recommendations of the external audit and internal audit in order to standardize the drafting, monitoring and reporting on the implementation of recommendations; (b) Discussion and addressing of the recommendations of HSC after the findings of the Report “On the implementation of the actual budget 2021” and (c) Discussion on the problems identified by the audits in relation to arrears.

4. Performance categorized by standards

The main achievements during 2021 of the performance indicators for each SO are presented as below:

For SO1 “Sustainable and Prudent Fiscal Framework” all performance indicators have progressed as planned during 2021:

- The debt to GDP ratio was 2.9 % less than the previews year.
- Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook is less than 0.
- Primary Balance is 2.1% less than the previews year.
- 2021 fact deficit was less than planned deficit in the budget (-29.8%)
- Percentage deviation of actual collection was 1.2%, which was less than -5% approved initial budget estimate for tax and customs revenues.
- Fiscal risk reporting according to (PEFA PI 10) was estimated with letter “B”.

For SO2 “Well Integrated and efficient Planning” most of the performance indicators have progressed as planned during 2021:

- The report of “Total planned expenditures for the MTBF adopted in year n /Total planned expenditures” in year n in annual budget in 2021 was 2.5% and there was a considerable improvement compared with 2020;
- Expenditure composition outturn by function (PEFA PI-2, 2.1) has the same assessment compared with 2020. Composition variance between actual costs by function and budgeted expenditure is less than 10 percent in all three years of evaluation.
- Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year), in 2021 was 90.5%. There is an increase with 8.5% compared with 2020.
- Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations: while in 2020 this indicator was not achieved, in 2021 had progressed and was achieved, in value 99%.
- Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year in 2021 was increased with 26.05%
- Tax collection rate (RLGRG) was increased with 26.2% compared to 2020 (-4.9% in 2020; 21.3% in 2021).

For SO3 “Revenue Mobilization” most of the performance indicators have progressed as planned during 2021:

- The level of tax collection was increased in 2021. Tax revenue fact 2021/2020 is higher than the report 2020/2019.
- The target of outcome indicator “Ratio of tax return versus previous year was achieved
- The level of custom revenues was increased in 2021. Custom revenue collection 2021 compared with 2020 was increased with 31.8% (-6.10% in 2020; 25.7% in 2021)

For SO4 "Efficient Execution of the Budget" most of the performance indicators have progressed as planned during 2021:

- Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year) was 2.2%, achieving the target below 3% and lower than 2020 fact value (4.4%).
- Target related to outcome indicator PEFA 22.2 Expenditure arrears monitoring was met, with the estimation A, at the same level in 2020.
- Stock of domestic debt re-fixed within one year was 48% in 2021.
- The average maturity of domestic debt was 793 days in 2021.
- The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register was 60.2% in 2021, there was an improvement compared with 2020.
- The percentage of cases when the review body exceeds the legal maximum processing time was decreased with 11.3% compared with 2020, achieving the value 10.8% in 2021.

For SO5 "Transparency of Public Finances" most of the performance indicators has progressed as planned during 2021:

- Compilation of Government National Accounts according to International Methodology (ESA 2010) was done in the level of 75%, remaining in the same levels of 2020.
- Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs for 25.6% of LMs.
- OBI assessment remain on the level of 7 out of 100 since 2019.
- For the first time during 2021 was made 10% progress on the PI "Moving on a phased basis to presenting accruals based government financial statements" and more progress is foreseen in the upcoming years.

For SO6 "Effective Internal Control" most of the performance indicators has progressed as planned during 2021:

- The extent to which internal control systems are implemented in practice within the budget organisations;
- Managerial accountability mechanisms in the regulatory framework;
- The % of system base recommendations addressed versus the total of findings;
- % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy).

For SO7 "Effective External Oversight of the Public Finances" most of the performance indicators has progressed as planned during 2021:

- % of audit recommendations accepted and implemented by auditees;
- Proportion of financial (pure financial audit + combined audit) and performance audits.

5. Risks and steps to address them

To effectively manage the reforms, and based on the experience during the period 2014-2021, more active management of the risks is done. These cover not only those risks related to the implementation of the activities within the log-frame, but also potential risks to achievement of the overall objectives of the Specific Objectives, and Components within them. During 2021, several types of risks that were foreseen and included in the strategic document were present and hampered the full achievement of the outcomes as were planned for that year. Also, the Covid-19 pandemic has increased its negative impact on reaching the strategic objectives, and becoming the main obstacle to their progress, not only for 2020 but also it has posed the effects and risks for 2021 as well.

With regard to **fiscal rules**, external risk related to Covid-19 consequences and internal risk such as Human Resources (staff, responsibilities, collaboration) was materialized during 2021. In order to mitigate them, Budget Management Directorate has made requests for staff increase. The mitigation measures that will be undertaken for 2022 is fulfilling the request for additional staff.

With regard to **policy development and strategic governance,** the key risks were linked with the latest changes through 2021 in the establishment, organization and functioning of the SASPAC, under the Prime Minister. The mitigation measures that will be undertaken for 2022 are: i) Employment of new staff for the structure; and ii) Training of the new staff employed.

With regard to **medium term budget programme,** the identified risks that were internal risk factors such as IT systems; Internal organization (management, roles and responsibilities) missions; For 2022, Directorate of Budget Analysis and Programming, have settled practices/procedures that will be applied if one or more risks materialises.

With regard to **public investment planning and oversight**, internal risk such as Human Resources (staff, responsibilities, collaboration), was materialized. The PIM department has been understaffed. The mitigation measures that will be undertaken for 2022 are: i) Employment of new staff for the SASPAC structure; and ii) Training of the new staff employed.

With regard to **PFM in local government**, internal risks such as Human Resources (staff, responsibilities, collaboration), Operational processes; IT systems and external factors such as Covid-19 and Macroeconomic factors, were materialized during 2021. In order to mitigate them, several measures were undertaken such as: i) Municipal staff trainings; ii) Standardization of formats for the preparation of budget documents, iii) Online trainings for the understanding of different operational processes. For 2022, a more detailed training plan is envisaged; Analyses have been made and also a plan of measures for the recovery of revenues from the effects of COVID pandemic during 2020.

With regard to **tax administration**, external factor related to Covid-19 consequence, was materialized. There was lack of staff due to Covid-19. In order to mitigate them, several measures such as remote working and redistribution of tasks were undertaken.

With regard to **fiscal cadastre of properties**, General Directorate of Property Tax, during 2021, faced operational risk related to lack of data, the pandemic situation and delay in signing the agreement. In order to mitigate them, several measures such as performing market research from other alternative sources and continuing the work through digital communication were undertaken. The mitigation measure that will be undertaken for 2022 is ongoing market research process.

With regard to **customs management**, external risk related to Covid-19 consequences, was materialized. The measure undertaken in order to mitigate this risk, was suitable structural organisation of internal resources.

The mitigation measures that will be undertaken for 2022 are: i) Suitable structural organisation of internal resources; and ii) extended cooperation with internal and foreign Agencies.

With regard to **expanding the use of AGFIS,** internal risks such as financial processes and funds´ disbursements, and IT system were materialized during 2021. Not available budget for new AGFIS user license acquisition were in place and no available service of functional AGFIS expertize (external qualified AGFIS functional support). For 2022 the budget for new AGFIS user licenses is approved for 5 new BI's. However this number is depending from user licence price agreed and the exchange rate of Euro during the procurement process.

With regard the **multi-year commitment controls and accounts payable,** internal risk such as Human Resources (staff, responsibilities, and collaboration) was materialized. Mitigation measure undertaken during 2021 was formal communication (letters-email) with BIs. The mitigation measure that will be undertaken for 2022 is to increase responsibility of BIs pilot for high quality and on time information.

With regard to **debt and cash management**, internal risks such as: Communication and Information; and Human Resources (staff, responsibilities, collaboration), also external risk related to COVID 19 consequences were materialized during 2021. The following mitigation measures were undertaken: Formal communication (letters-email); increased focus on sustainability of human resources capacity; hired new staff; and capacity building activities. During 2022 will be undertaken the following measured: increase responsibility of BIs pilot for high quality and on time information and capacity building activities.

With regard to **public procurement**, for PPA external risk related to COVID 19 consequences and Political decisions were materialized. The pandemic has affected the timeline foreseen for the adoption of the secondary legislation causing delays. Following a proposal from the Ministry of Culture, the Council of Ministers has decided to remove some Common Procurement Vocabulary (CPV) codes from the DCM 768, date 15.12.2021. Regarding Public Procurement Commission were materialized risks related to lack of funding and difficulties in adapting operators to the new system for submitting and reviewing complaints. Regarding the adaptation of the system by economic operations one of the measures taken has been the development of trainings for all economic operators and contracting authorities in all regions of the country within 2021. Regarding the funding for training for 2022 in addition to the demand for budget funds, PPC has also seen the possibility of funding from international organizations. In 2022, PPC will prepare manuals in order to help EOs to use the system; for specialized trainings PPC has established contacts with the magistrate school as well as funding opportunities to continue training at the University of Tirana and other licensed entities that conduct field training.

With regards to **management of external funds**, external risk related with foreign partners was materialized associated with insufficient level of project data recorded in the system by responsible focal points. This came as result of the considerable volume of information needed to be populated in EAMIS, the majority of which is done manually by focal points, which requires considerable time commitment. However, some measures were undertaken such as: (a) improving the system to offer a more-user-friendly experience related with automatisation of the internal processes for approval and validation of draft projects; (b) an awareness campaign was carried out by the MoFE to raise awareness of the Development and Integration Partners (DIP) community and revitalize their commitment and contribution to the population of the system and (c) one-day refresher's training session was conducted for the focal points of the UN group of agencies, upon their request. Furthermore, since EAMIS system is now under SASPAC's responsibility, employment of new staff of the respective unit is needed, as well as building their capacities on the functionalities of the system.

Concerning the **strengthening of the State Aid**, achievement of some targets was hampered by lack of adequate Human Resources, since there is no dedicated staff/unit. For this reason, ad hoc consultations with stakeholders were done in order to aware them on the respective responsibilities. During 2022, meetings with stakeholders will be held on aid schemes and their compatibility with the state aid legislation.

With regard to **National Government Accounts**, the internal and external risks which were materialized were related to: Human Resources risks (staff, responsibilities, collaboration), associated with lack of staff and Covid-19. However, some measures were undertaken, such us applying the online working and working overtime.

With regard to **Financial and Performance monitoring and reporting,** internal risks were materialized, such as IT system and Human Resources (staff, responsibilities, collaboration). During 2021, DMB has pursued several testing sessions on the spot, namely in several LMs, to monitor the performance of BPPM Module. As a result, several issues have come up, thus the responsible units and designer company have been informed for inconsistency of the reports generated from the BPPM Module of the AFMIS system. To further pushing the achievement of this component is necessary the filling of vacancies and pursuing the resolution of AFMIS issues.

With regard to **Citizen's engagement,** there were no risks materialized during 2021.

With regard to **Accounting and Improved assets management**, the internal and external risks were materialized: Human Resources (staff, responsibilities, collaboration), Internal organization (management, roles and responsibilities), Legal harmonisation, regulation (adaption with IPSAS) and the communication with interested parties, force major risks related to Covid-19; Foreign partners (the consultants companies and foreign partners/donors), Budgetary Institutions online with AGFIS did not prepare in time the assets inventory information to be migrated into AGFIS. Even though some measures were undertaken during 2021, they are still subject to been followed in 2022, such as: Review of priorities and operational work plans to adapt with the resources available; Finding alternative methods for carrying out field activities (online trainings); Review of the regulatory framework of the field (standards); Continuous communication to raise the awareness of the decision makers and the managers of the public units on the importance of the activities in the framework of the implementation of IPSAS; Capacity building in the field of IPSAS implementation; and Continue close collaboration with respective BI's and high level engagement was required through official communication.

Referring to **financial management and control in all public institutions**, several risks related with Human Resources, internal organization and Covid-19 affected the achievement of outputs. Several measures were undertaken during 2021 for their mitigation, such as: (a) A review of priorities and operational work plans was done; (b) Alternative methods for carrying out field activities has been found such as meetings and online trainings); (c) A review of the regulatory framework in FMC field (laws / regulations / methodology) was done; (d) Continuous communication to raise the awareness of the managers of the public units on the realization of the activities in the framework of the evaluation of the quality of internal control system and the provision of technical assistance; and (e) Capacity building in the framework of effective implementation of the internal control system. The same measures except "Review of priorities and operational work plans" will also be undertaken during 2022.

Related to **internal audit**, Covid-19 changed the audit focus during 2021 to some new risks arising during the Covid-19 time (Decision making and procedures followed by institutions under extraordinary situation). In this context, it was decided to audit high risk areas and give recommendations for further improvements. In addition, during 2022 the professional capacities for internal audit will be increased and knowledge on remote auditing and risk based auditing will be improved.

With regards to **public financial inspection**, risk related to Human Recourses and Covid-19 influenced the process of inspections and the preparation of the national anti-fraud strategy. However, during 2021 DPFI engaged external public financial inspectors to carry out the inspections and vacancies of DPFI will be fulfilled during 2022. While, due to Covid-19, the initiation of drafting the strategy was decided to be postponed and to start in Q3 2021. During 2022, the order on establishing the working group responsible to draft the strategy is approved.

Concerning **external audit**, risks related with Covid-19, lack of sufficient staff and funds, insufficient IT infrastructure to support the growing number of HSC staff and staff changes in HSC and MOFE (reshaping the members of the joint technical secretariat) hampered the achievement of the outputs. To mitigate these risks, some measures were undertaken 2021 such as: (a) Teleworking and using IT on receiving the needed data and documents for the timely finalization of the audit process; (b) Additional funding from the state budget was approved to recruit 15 auditors and also to cover salaries and insurance for contracting temporary external experts; (c) Annual audit plan was revised taking into consideration the public interest for specific issues; (d) the group representing HSC in the joint Secretariat has been reshaped and meeting was proposed to discuss and approve the annual plan of the Joint Secretariat for 2021. In addition, during 2022, the following measures will be undertaken: (a) Continuation of monitoring the pandemic situation taking into account the decisions taken by the Albanian government to prevent the consequences of the pandemic on the health of citizens; (b) Working equipment will be provided for additional staff; (c) An online meeting of the Joint Secretariat was held in February 2022 with the purpose to discuss and approve the draft action plan of the Secretariat for 2022.

	Internal Risk Factors									External factors				
	1. Risks related to planning process and operational systems				II. Human Resources and Institutions			III. Legal aspects and supervision	IV. Communication and Information	I. Geopolitics,	II. Macro-Economic Factors	III. Force major	IV. Policy decisions	V. Foreign partners (agencies, consultants, media, business partners)
	1.1. Strategy, planning of policies,	1.2. Operational processes	1.3. Financial processes and funds´ disbursements	1.4. IT systems	2.1. Human Resources (staff, responsibilities, collaboration)	2.2. Ethics and institutional behaviour (fraud, conflict of interest)	2.3.Internal organization (management, roles and responsibilites) misions)	3.1. Legal harmonisation, regulations,	4.1. Methods and channels of communication, high quality and on time information.			COVID 19 consequences, War		
Specific Objective 1 – Sustainable and prudent fiscal framework														
1.1 Fiscal Rules														
1.2 Fiscal Risks														
Specific Objective 2: Well integrated and efficient planning and budgeting of public expenditure														
2.1 Policy Development and strategic governance														
2.2 Medium Term Budget Programme														
2.3 Public Investment Planning and oversight														
2.4 PFM in local government														
Specific Objective 3: Tax and Customs Revenue Administration														
3.1 Tax administration														
3.2 Fiscal Cadastre of properties														
3.3 Customs management														
Specific Objective 4: Efficient execution of the Budget														
4.1 Expanding the use of AGFIS														
4.2 Multi-year commitment controls and accounts payable														
4.3 Debt and Cash management														
4.4 Public Procurement														
4.5 Management of External Funds														
4.6: Strengthening state aid role														
Specific Objective 5: Transparency of Public Finances														
5.1 National Government Accounts														
5.2 Financial and Performance monitoring and reporting														
5.3 Citizen's engagement														
5.4 Accounting														
5.5 Improved assets management														
Specific Objective 6: Effective internal control														
6.1 Financial management and control in all public institutions														
6.2 Internal audit														
6.3 Public financial inspection														
Specific Objective 7: Effective external oversight of public finances														
7.1 External audit														

6. Cost of the PFM Strategy

Below is a brief summary of resources used for implementing the reform, by presenting the financial data on expenditure during the implementation of each specific objective as the amount of Government budget funds spent and donor funding in EURO.

Amounts in EUR

		Domestic funds	Foreign Financing	TOTAL	Plan 2021	% of change
1	**Sustainable and prudent fiscal framework**	**106,629**	**0**	**106,629**	**99,804**	**7%**
1.1	Fiscal rules and forecasting	36,000	0	36,000	48,000	**-25%**
1.2	Fiscal risk management	70,629	0	70,629	51,804	**36%**
2	**Well integrated and efficient planning**	**1,927,180**	**9,147,016**	**11,074,196**	**3,459,083**	**220%**
2.1	Policy development and integrated strategic governance	1,893,547	0	1,893,547	497,280	**281%**
2.2	Medium Term Budget Programme	13,453	633,679	647,132	555,721	**16%**
2.3	Public Investment Planning and Oversight	0	3,483,938	3,483,938	917,186	**280%**
2.4	PFM in local government	20,180	5,029,400	5,049,579	1,488,896	**239%**
3	**Revenue Mobilization**	**4,886,658**	**1,366,222**	**6,252,880**	**11,446,901**	**-45%**
3.1	Tax administration	4,381,338	0	4,381,338	3,324,492	**32%**
3.2	Fiscal cadaster of properties	0	63,824	63,824	777,778	**-92%**
3.3	Customs management	505,320	1,302,398	1,807,718	7,344,631	**-75%**
4	**Efficient execution of the budget**	**408,393**	**1,650,330**	**2,058,723**	**1,334,054**	**54%**
4.1	Expanding the use of AGFIS	0	0	0	461,104	**-100%**
4.2	Multi-year commitment controls and accounts payable	30,270	0	30,270	129,510	**-77%**
4.3	Debt and cash management	50,449	361,721	412,170	86,030	**379%**
4.4	Public Procurement	260,408	1,288,609	1,549,017	398,391	**289%**
4.5	Management of external funds	13,453	0	13,453	51,804	**-74%**
4.6	Strengthening State Aid Role	53,813	0	53,813	207,216	**-74%**
5	**Transparency of Public Finances**	**1,849,509**	**993,956**	**2,843,464**	**7,591,806**	**-63%**
5.1	National Government Accounts	1,802,422	85,345	1,887,767	6,372,582	**-70%**
5.2	Financial and performance monitoring and reporting	0	727,273	727,273	563,265	**29%**
5.3	Citizen’s engagement	16,816	0	16,816	64,755	**-74%**
5.4	Accounting	0	181,338	181,338	392,213	**-54%**
5.5	Improved Assets management	30,270	0	30,270	198,991	**-85%**
6	**Effective internal control**	**127,805**	**26,400**	**154,205**	**329,685**	**-53%**
6.1	Financial management and control in all public institutions	97,536	0	97,536	192,363	**-49%**
6.2	Internal audit	10,090	26,400	36,490	46,853	**-22%**
6.3	Public financial inspection	20,180	0	20,180	90,469	**-78%**
7	**Effective external oversight of the public finances**	**1,393,336**	**0**	**1,393,336**	**1,392,000**	**0.1%**
7.1	External audit	1,393,336	0	1,393,336	1,392,000	**0.1%**
TOTALI		**10,699,509**	**13,183,924**	**23,883,433**	**25,653,333**	**-6.90%**

7. Conclusions and Recommendations

The annual monitoring report January - December 2021, pursuant to the Action Plan 2020-2022, PFM Strategy 2019-2022, provides information on the implementation of seven specific objectives of the strategy, the Specific Objectives/output performance indicators according to the targets and achieved values and concrete activities envisaged.

This document is the second monitoring report using the methodology of IPSIS system and efforts are made to have a better alignment with IPSIS standards.

This report provides specific information of the 2021 PFM SO/output targets, problems encountered during implementation, challenges of institutions as well as an identification of the necessary corrective measures for the following periods. Also, it contains statistical and analytical data based on direct reporting of responsible institutions, on published reports and information, consultation with all PFM stakeholders.

The GoA has made good progress in the implementation of its Public Financial Management Reform Strategy. The present report provides an assessment of the PFM eligibility criteria for the EU to provide budget support to Albania. The PFM eligibility criterion requires the existence of a credible and relevant programme to improve public financial management as well as satisfactory progress in the implementation of the programme. To our self-assessment PFM progress has been overall ***satisfactory***. The monitoring shows a very **good progress of PFM strategy** during 2021, **with 100% level** of achievement been made in the level of Specific objectives outcomes, respectively SO1 100%, SO2 106%, SO3 86%, SO4 106%, SO5 80%, SO6 104 % and SO7 120%. In the level the output targets level of achievement for 2021 was **79.31%,** with 57.76% of the outputs targets fully achieved in 2021 and 21.55% in progress, for which work will be continue in the upcoming year. The SO3 has the highest number of output targets not progressed as planned during 2021(52.94%), followed by SO5 (50%), while the SO6 has the lowest number (only 20% was not progressed as planned).

Reported information must be processed and submitted in accordance with the category of information, be factual, have clear evidence and analytical data in accordance with the reports produced by the responsible institutions. Furthermore, the responsible units should follow the mitigation measures of the identified risks, in order to ensure the fulfillment of the objectives set for 2022. Also, they need to monitor progress consistently in order to take timely action for those targets that do not perform well.

Abbreviations and Acronyms

AEO	Authorised Economic Operators
AFMIS	Albanian Financial Management Information System
AGFIS	Albania Government Financial Information System
ALSAI	Albanian Supreme Audit Institution
BI	Budget Institution
CG	Central Government
CSO	Civil Society Organisations
DABP	Directorate of Analysis and Budget Programming
DBM	Directorate of Budget Management
DDGG	Department for Development and Good Governance
DHFMCA	Directorate of Harmonization of Financial Management, Control and Accounting
DHIA	Directorate of Harmonization of Internal Audit
DIP	Development and Integration Partners
DLF	Directorate of Local Finance
DMAS	Directorate of Macroeconomic Analysis and Statistics
DPFI	Directorate of Public Financial Inspection
DPIM	Directorate of Public Investment Management
DWH	Data Warehouse
EAMIS	External Assistance Management Information System
ESA	European System of Accounts
EU	European Union
FMC	Financial Management Control
FRS	Fiscal Risk Statement
FRU	Fiscal Risk Unit
GDC	General Directorate of Customs
GDP	Gross Domestic Product
GDPDCFA	General Directorate of Public Debt and Co-ordination of Foreign aid
GDHPIFC	General Directorate of Harmonization of Public Internal Financial Control
GDPT	General Directorate for Property Tax
GDT	General Directorate of Taxation
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GoA	Government of Albania
GRB	Gender Responsive Budgeting
HRMIS	Human Resources Management Information System
HSC	High State Control
IA	Internal Audit
IMF	International Monetary Fund
INSTAT	Institute of Statistics
INTOSAI	International Organisation of Supreme Audit Institutions
IPA	Instrument for Pre-Accession Assistance
IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
LMs	Line Ministries

MOFE	Ministry of Finance and Economy
MTBP	Medium Term Budget Programme
MTDMS	Medium Term Debt Management Strategy
MTRS	Medium Term Revenue Strategy
MTR	Mid-Term Review
NSDI	National Strategy for Development and Integration
OBI	Open Budget Index
OBL	Organic Budget Law
OECD	Organisation for Economic Co-operation and Development
PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PMO	Prime Minister's Office
PPA	Public Procurement Agency
PPL	Public Procurement Law
PPP	Public-Private Partnerships
PPC	Public Procurement Commission
SBPG	Standard Budget Preparation Guidelines
SC	Steering Committee
SIGMA	Support for Improvement in Governance and Management
SOE	State-Owned Enterprises
SPC	Strategic Planning Committee
TA	Technical Assistance
TC	Technical Committee
VAT	Value Added Tax

Annex 1: Performance Outcome Indicators

Table 1: Key Outcomes and performance Indicators for SO 1 “Sustainable and Prudent Fiscal Framework”

Outcome	Performance Indicator	Lead Institution	Baseline (2018)	Fact Value FY 2019	Fact Value FY20	Target FY 2021	Fact Value FY2021
I) Increased credibility of fiscal framework	Ia) Debt to GDP ratio	GDMPFA	68%	66,3%	76,1%	< FY 20	73,2%
	Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook	GDMPFA	-5.9 billion ALL	-16.5billion ALL	ALL -0.2 billion	< 0	-0.03 billion ALL
	Ic) Primary balance	GDMPFA	+0.5%	0,20%	-4,7%	> FY20	-2.6%
	Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	GDMPFA	-18%	-4%	-17,0%	≤ planned deficit	-29,2%
	Ie) Percentage deviation of actual collection is within defined % of /approved initial budget estimate for tax and customs revenues	GDMPFA	-1.4%	-3,50%	-16,80%	> -5%	1,20%
II) Fiscal risks are identified and contained more effectively	IIa) Fiscal risk reporting (PEFA PI 10)	GDMPFA	C (2017)	B+	B	B	B

Table 2: Key Outcomes and performance Indicators for SO 2 “Well Integrated and Efficient Planning”

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Target FY 2021	Fact Value FY2021
III) Government planning documents, such as NSDI, Sectoral Strategies and MTBP are streamlined and fully aligned with each other	IIIa) Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP		56% (2017)	NA	NA*	> (t-1) (growing trend)	NA*
IV) Improved annual budget and MTBP process and documentation to enhance credibility and comprehensiveness of the medium term	IVa) Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget		0.78% (2018)	-0,14%	22.8% (2020)	(t-1) (declining trend)	2,5%
	IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)		D (2017)	B	B	C	B
V) Improved Public Investment Management Oversight	Va) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year)	GDB	64% (2018)	78%	82%	> (t-1) (growing trend)	90,5%
	Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations		97% (2018)	97%	95%	97%	99,0%
	Vc) Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year		30,38%	28,90%	46,35%	> (t-1) (growing trend)	72,4%
VI) Strengthened financial management in local governments	VIa) Tax collection rates (RLGRG)		4,62%	5,6%	-4,90%	15.7% (fact 2021/ 2020)	21,3%
	VIb) PEFA Subnational level PI-22.1 Stock of expenditure arrears		6.8 mld lekë (2018)/ 49.6 mld leke (13.7 %)	8.1 mld lekë/ 56.2 mld leke (14.4 %)	6.9 bln ALL/51.6 billion ALL (13.3%)	3.5 bln ALL/56.8 bln ALL (6.1%)	6.5 bln ALL/52.583 bln ALL (12.3%)

Table 3: Key Outcomes and performance Indicators for SO 3 "Revenue Mobilization"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Target FY 2021	Fact Value FY2021
VII) Increased level of revenue from Tax	VIIa) Tax base of businesses	GDMPFA	112 428 businesses (2017)	113 829 (+1.24%)	47.6% (165,955 businesses in 2020)		62.4% (182,632 businesses in 2021)
	VIIb) % of Actual tax collection in Year N /Actual tax collection in Year N-1 -100% (from tax)		>0	259.462 million ALL(Gross,in 2019) (5.23%)	-7,20%	12,0%	14,5%
	VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities		63%	74,00%	78,39%	62%	62,7%
VIII) Reduced informality with improved self-declaration and increase the detection force of controls	VIIIa) Ratio of tax return versus previous year		6,60%	3,48%	2.21% (2,876,202 returns in 2020, vs 2,814,005 in 2019)	< 0%	-8.08% (2,641,559 returns in 2021 vs 2,876,202 in 2020)
IX) Fiscal cadastre fully functional	IXa) Number of buildings registered and billed		46.67% (2017) (700 000/1 500 000)	47.5% (570000/1200000)	80% (1 200 000/1 500 000)	86.7% 1 300 000/1 500 000	80% (1 200 000/1 500 000)
X) Increased level of Custom revenues	Xa) % of Actual custom revenue collection in Year N /Actual custom revenue collection in Year N-1 -100% (from Custom)		>0	2,09%	-6,10%	9%	25,7%
	Xb) Custom declaration processing time		(2018) 143.81	453 min/ declaration	97	70	88

Table 4: Key Outcomes and performance Indicators for SO 4 "Efficient Execution of the Budget"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Target FY 2021	Fact Value FY2021
XI) Efficient budget execution (through use of IT support)	XIa) Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central	GD Treasury	74% (2018)	75%	78%	≥ (t-1) (growing trend)	75,5%
XII) Arrears are minimized	XIIa) PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year		below 6% (B PEFA)	A	4,40%	Below 3%	Below 3% (2.2%)
	XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)		C (2017)	C	A	A (Data generated quarterly within four weeks of the end of each quarter)	A (Data generated quarterly within four weeks of the end of each quarter)
XIII) Costs of borrowing is reduced and cash is available when needed	XIIa) Stock of domestic debt re-fixed within one year		56.7%	50,90%	46,7	Max 48%	48,0%
	XIIb) The average maturity of domestic debt		780 days	787 days	783	792 - 864 days	793
XIV) Increasing the efficiency and transparency of procurement system	XIVa) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register		22% (2018)	49,80%	47,4%	(increasing trend)	60,2%
	XIVb) The percentage of cases when the review body exceeds the legal maximum processing time		54.7%	16%	22,10%	≤ (t-1) (declining trend)	10,8%

Table 5: Key Outcomes and performance Indicators for SO 5 "Transparency of Public Finances"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Target FY 2021	Fact Value FY2021
XV) Strengthening systems and capacities to prepare government financial statistics in line with international standards	XVa) Compilation of Government National Accounts according to International Methodology (ESA 2010)	INSTAT	50% (2018)	75%	75%	75,0%	75,0%
XVI) Accountability and transparency through financial and non-financial performance reporting is enhanced	XVIa) Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs	DBM	ABER & In-year new templates are designed	New templates are implemented		25,0%	25,6%
XVII) Providing formal opportunities for the public to engage in the budget process	XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)	DABP	2 out 100 (2017)	7/100	7 out of 100	≥ (t-1) (growing trend)	7 out of 100
XVIII) 'Presentation of financial statements as per selected IPSAS framework	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	DHFMCA	0%	0%	0%	≥ (t-1) (growing trend)	10,0%
XIX) Preparation and publication of full asset registry of public sector, based on the improved regulations for the valuation and inventory of these assets	XIXa) Public assets recorded into the AGFIS	GD Treasury	6 (2018)	6	3	5	0

Table 6: Key Outcomes and Performance Indicators for SO 6 "Effective Internal Control"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Target FY 2021	Fact Value FY2021
XX) Effective managerial accountability in all public institutions	XXa) The extent to which internal control systems are implemented in practice within the budget organisations	GDHPIFC	2.71 out of 4 (Order of the Minister of Finance no. 117, dated 01.04.2019 Performance Monitoring Methodology)	2,4	2,56	>(t-1) (Growing trend)	2,61
	XXb) Managerial accountability mechanisms in the regulatory framework	GDHPIFC	2.7 out of 4 (Order of the Minister of Finance no. 117, dated 01.04.2019 Performance Monitoring Methodology)	2,5	2,90	>(t-1) (Growing trend)	2,95
XXI) Strengthening internal audit function in public sector	XXIa) % of implemented internal audit recommendations	GDHPIFC	57% (2018)	60%	65%	>(t-1) (Increasing trend)	62%
	XXIb) Internal audit framework aligned with International Standards on Internal Audit	GDHPIFC	Internal audit framework is not fully aligned with ISIA	Review of IA Manual	Gap analysis is performed	Legal framework updated	a) First draft of revised IA Law in place b) Three IA gudielines
	XXIc) The % of system base recommendations addressed VS the total of findings	GDHPIFC	35% (2018)	37%	42%	>(t-1) (Increasing trend)	67%
XXII) An efficient Public Financial Inspection	XXIIa) % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy)	DPFI	FY18 70%	83,30%	85%	>(t-1) (Increasing trend)	88%

Table 7: Key Outcomes and Performance Indicators for SO 7 "Effective External Oversight of the Public Finances"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Target FY 2021	Fact Value FY2021
XXIII) Further enhancement of external audit as to maximize their value and benefits to society	*XXIIIa) % of audit recommendations accepted and implemented by auditees	HSC	R acc 2017 = 93% R impl 2017 = 50,5 %	R acc 2018= 95% R impl 2018= 52.2 %	R acc:94% R impl:47%	R acc: ≥ t-1 (Increasing trend) R impl: ≥ t-1 (Increasing trend)	R acc: 93% R impl: 55%
	XXIIIb) Proportion of financial (pure financial audit + combined audit) and performance audits		Financial Audit (9%) Performance Audit (10%) (2017)	42% of compliance audit	FA: 7% PA: 12,5%	FA: ≥ 20% PA: ≥ 14%	FA: 36,7% PA: 11,5%

**The indicators are measured for the period January - December 2020 as the implementation rate of recommendations is assessed only after 6 months after their issuance.*

Annex 2: Status of Output targets

1.1: FISCAL RULES AND FORECASTING						
	Output	Performance Indicator	Baseline	Output Target FY21	Fact Value FY21	Status 2021
	Output 1.1.1: Strengthened Fiscal rules	a) Additional fiscal rules/targets in place	The actual fiscal rules			
		a) OBL changes				
	Output 1.1.2: Revenue forecasting reliability improved	a) Enhancing human capacities		Staff training	No staff training has been done	Not achieved
1.2: FISCAL RISK MANAGEMENT						
	Output	Performance Indicator	Baseline	Target FY21		Status 2021
	Output 1.2.1: An improved FRS with more fiscal risks monitored and mitigated if necessary	a) Disclosure of Fiscal risk in the FRS	FRS covers: - electricity sector SOEs, - arrears, - legal claims, - concession, - PPPs	+ 3 other SoEs	+ 3 other SoEs	Achieved
	Output 1.2.2: An improved report on General Government arrears	a) General government arrears report prepared by AGFIS	AGFIS does not prepare automated reports on general government arrears	Cosolidated reports on arreras further enhanced	A consolidated Report further enhanced	Achieved

2.1: POLICY DEVELOPMENT AND INTEGRATED STRATEGIC GOVERNANCE

Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
Output 2.1.1: An improved quality review process for strategies, policy priorities and MTBP submissions	a) Share of strategies for which recommendations are provided	41.60%	Growing trend	60%	Achieved
Output 2.1.2: Coordinated activities for management of sector and cross sector strategies	a) Mid Term Progress Report of NSDI prepared				
	b) Ratio of comments provided on sector strategies	NA	>80 %	95,2%	Achieved
Output 2.1.3: An integrated Planning System (IPS) effectively implemented	a) IPS Legal basis approved	NA			
	b) CoM decision for IPSIS enforcement adopted	NA			
	c) GAP analysis performed and regulatory framework revised accordingly		Recommendations addressed		Not achieved
Output 2.1.4: Policy development process based on evidence is strengthen	a) A guidance note on PI is in place	NA			

2.1: POLICY DEVELOPMENT AND INTEGRATED STRATEGIC GOVERNANCE						
	Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
	Output 2.1.5: IPSIS System managed and implemented effectively	a) Mobilization of Network				
		b) SDD prepared and submitted				
		c) 1st release of IPSIS System				
		d) development of manuals				
		e) Training materials				
		f) Developed training report				
		g) Trainings 1st phase				
		h) Trainings 2nd phase				
		i) Training of administrators, trainers		TNT training delivered		**Finalized in 2020**
		j) IPSIS System Go Live				
		k) Completeness of links between the government policy goals and budget programs				
		l) Electronic/system archive in IPSIS developed	NA			

2.2: MEDIUM TERM BUDGET PROGRAMME					
Output	**Performance Indicator**	**Baseline**	**Target FY21**	**Fact Value FY21**	**Status 2021**
Output 2.2.1: Performance based budgeting in place and compliance with the newly introduced methodology increased	a) The new MTBP approach is piloted		Three additional Budget organizations have prepared: • Baseline forecasting; • New policy initiatives; • Budget programme classification and KPIs	3	Achieved
	c) Number of LM/BI roll-out in AFMIS				
	b) Number of program management teams assisted	128	128	128	Achieved
	d) Budget Sector guides finalized and published	0	5	2	In progress
Output 2.2.2: All new policy initiatives are properly scrutinised and funded	a) Amount of unfunded legal mandates		Cost of unfunded legal mandate identified	Cost of unfunded legal mandate is not identified	Not achieved
	b) Strategic Planning Committee approves the list of NPI (before it is included in the MTBP document)				
Output 2.2.3: Budgeting at the Central and Local Level is gender responsive	a) number of budget programs that have fully integrated GRB	33%	70%	**33%**	In progress
	b) Number of Program Management Teams from Local Government Units trained and coached on GRB (planning and monitoring)	75	increasing trend	75	In progress
	c) Number of CSOs trained and coached on participatory budgeting and GRB	15	increasing trend	20	Achieved

	Output 2.2.4 Policy objectives and related KPIs are piloted to be included as a specific annex in the Annual Budget Law	a) List of selected KPIs for each Budget Program and introduce the process of programming&implementing through AFMIS		List of KPIs selected	List of KPI is not selected	Not achieved
		b) LM/BI report on KPI/objectives		LM/BI report on KPI/objectives	LM/BI report on KPI/objectives is not prepared	Not achieved
		c) Annual Budget Law of 2023 contains policy objectives and related KPIs as a specific annex.				
	Output 2.2.5: Enhanced quality and content of budget documents for Parliamentary approval	a) Action plan for implementing changes		Action plan implemented	Action plan not implemented	Not achieved
		a) Templates for data presentation and textual contents are prepared and used		Templates used	Templates not used	Not achieved

2.3: PUBLIC INVESTMENT PLANNING AND OVERSIGHT

	Output	Performance Indicator	Baseline	Target FY21		Status 2021
	Output 2.3.1: Single project pipeline for all projects, regardless of source of financing is developed and maintained	a) PIM strategy (including PPP policy) is approved		PIM strategy (including PPP policy) drafted and approved		Not achieved
		b) Single project pipeline (SPP) for major projects is prepared and maintained based on a Standard methodology		SPP maintained	SPP maintained	Achieved
		c) Procedure to include active projects from SPP to the MTBP cycle is prepared and implemented		Procedure adopted	The procedure is prepared and implemented, with the preparation of Priority Policy Document and its approval by SPC. Priority Policy Document is the strategic phase of MTBP.	Achieved
		d) Legal Framework for PPP and Concessions is amended				
	Output 2.3.2: Increased quality of larger Public Investment proposals submitted for approval	a) Trainings for appraisal of large projects				
		b) Investment appraisal arrangements for all type of investment projects is in place		Guidelines revised and upgrade if necessary	Methodology prepared (September 2021) 2. Templates and Guidelines for methodology application has been prepared 3. Line ministries has been trained for the new methodology.	Achieved
		c) Methodology developed and prioritization tools in place				
	Output 2.3.3: An improved monitoring process of public investments including PPP projects and concessions.	a) Reclassification and historical data according to new project codes	2019	Historical data aligned to the new project codes		Not achieved
		b) Ratio of monitored contracts from MOFE versus total signed contracts (PPP and Concessions)	2.29% (2018) (5 out of 218)	>(t-1) (growing trend)	81%(181 out of 228,2021)	In progress
		c) Comprehensive reports on public investments (including PPP) are published				

2.4: PFM IN LOCAL GOVERNMENT

Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
Output 2.4.1: Strengthened strategic planning and budget management at Local Government level	a) Local Government legislation and Instructions reviewed	Legal acts approved until 2019 (Local finance Law)	Legal framework reviewed	Legal framework reviewed	Achieved
	b) MTBP module for LGU in use	No module	MTBP module prepared; Instructions for MTBP users prepared	A new excel based module is prepared for Programme Expenditure Planning under MTBP preparation.	Achieved
	c) Selected LGUs are preparing medium-term Budget programmes after receiving trainings on the KPI definitions	No training provided	35 LGU	A comprehensive training programme on MTBP preparation was carried out for all 73 LSGUs (61 municipalities and 12 Councils of “Qarks” - counties).	Achieved
	d) Plan for repayment of the arrears		Plan prepared	Plan prepared	Achieved
	e) Monitoring and publication of arrears		Report on arrears published	Periodic reports on arrears of LGUS prepared and published	Achieved
	f) Financial Insolvency instruction approved			An annual report on financial difficulties of local governmnet prepared by MFE	
	g) Local Government Financial Reports improved and published	No reports on budget execution and monitoring prepared/published on regular manner	35LGU	All 61 municpalities prepare and publish individual budget execution monitoring report. A national compliance report prepared by MFE	Achieved
Output 2.4.2: Effective revenue management	a) Municipal Regulation and other related normative and administrative acts on taxes, charges and fees reviewed	LGU's don't have a manual		A regulation on tax debt management introduced and under adoption process in 18 municipalities	
	b) Fiscal package and tax registry improved at 15 piloted municipalities	2019 Fiscal Package for selected municipalities	Fiscal package reviewed for 15 LGU Training delivered to 15 LGU	In 18 municipal fiscal packages 2020, 2021 and 2022 were adopted fully in line with legal framework of local taxation. 18 municipalities adopted and executed their fiscal as per new methodology of the building tax.	Achieved

2.4: PFM IN LOCAL GOVERNMENT

Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
Output 2.4.3: Improve intergovernmental transfer finance system	a) 2% of the Revenues from the Personal Income Tax Shared with LGU	Revenues from PIT are not shared with LGUs		For the year 2021, MFE has transferred to all 61 municipalities revenues form PIT.	
	b) Preschool education finance system is reformed and is based primarily on the number of pupils	The financing system is only in part based on a per pupil formula	Funding for preschools allocated primarily on the number of pupils	MFE has continued the financing for the preschool education based on number of pupils.	Achieved
	c) The size of the unconditional grant is increased to 1.5% of the GDP	Funding for new functions is static and not anchored to the GDP as for all other exclusive local functions		The size of both general unconditional transfer and sectorial unconditional transfer are more than 1.5 percent of GDP. Factually is 1.53 % of the GDP	
Output 2.4.4: Effective Internal Control and Internal audit function are in place	a) No. of key management staff and Internal Auditors of LG trained on risk management process and FMC instruments.	0	1) All finance staff of additional selected municipalities trained 2) Procedures of audit trails prepared	1) All finance staff of additional selected municipalities trained 2) Procedures of audit trails prepared	Achieved
	b) All Internal Auditors hired in selected municipalities trained on IA standards and risk mitigation process	0	All IA staff of additional selected municipalities (up to 15 municipalities)	During 2020-2021 18 municipalities were supported on the establishment of institutional groups for risk management and coordination (RMCG). A draft guideline was prepared and delivered to 18 municipalities, for establishment of the group of risk coordinators with respective responsibilities and lines of reporting, including advisory services of the internal auditor.	Achieved
Output 2.4.5: Increased MOFE capacities to manage the PFM reforms at LG level	a) Monitoring and evaluation framework for implementation of Law on Local Finances available and in use	Monitoring comments report for 2019		Monitoring comments report for 2020	
	b) MoFE reviews the MTBP of 61 LGU	MTBP 2020-2022	61 LGU MTBP analysed	All 73 MTBP documenst submitted by LSGUs are reviewd by MFE with relevenat reccomendations for improvement	Achieved
Output 2.4.6: IPSIS for LSGU established, tested and ready for operation	a) Selected LGUs (at least 5 LGUs) are using IPSIS system for preparing strategic framework including passports of indicators	n/a	3		Not achieved
	b) IPSIS for LGU in use (at least 5 LGUs)	n/a	Instructions for IPSIS users prepared Training delivered		Not achieved

3.1: TAX ADMINISTRATION

Output	Performance Indicator	Baseline	Target FY21		Status 2021
Output 3.1.1: Comprehensive medium-term revenue strategy adopted	a) Preparation of the medium-term revenue strategy		Medium-term revenue strategy updated and approved	MTRS updated was drafted	In progress
Output 3.1.2: Automated risk based procedure for management of VAT refunds is in place	a) Designing automated risk-based procedures for all VAT refunds and credits carried forward	0%			
	b) Implementing automated risk-based procedures for all VAT refunds and credits carried forward	0%	Automated risk-based procedures in place	In December 2021 the Test version (final version of test) is received by GDT Has been realized 95% during 2021. Reimbursement Platform will go Live within first quarter of 2022.	In progress
	c) Provide reimbursement of VAT under the terms of legislation	83% (2018)			
Output 3.1.3: The core tax administration processes is fully automated	a) Build and deploy Data Warehouse (DWH) capabilities	0%	DWH capabilities available	DWH working group is established (March 2021) to identify the registers and data used by the TA;	In progress
	b) e-module produced		E-invoice management module introduced	In the framework of fiscalization, the respective modules are implemented 100%.	In progress
	c) Automated cross-checking used to verify return information				

3.1: TAX ADMINISTRATION

Output	Performance Indicator	Baseline	Target FY21		Status 2021
Output 3.1.4: Compliance Risk Management is comprehensive (includes segments with high-compliance risk)	a) IT system interfacing	Risk registers have been identified	a) IT system interfaced with banking systems b) IT system interfaced with the system managing immovable property		Not achieved
	b) Training of staff on risk management		14	Staff trained in the field of Compliance Risk Management and data analitics	Achieved
Output 3.1.5: The taxpayer register is complete and accurate	a) Improvement of register		Register improved	The timely transmission of data for registrations and changes in the registrations has been realized	Achieved
	b) Organization of awareness campaigns		Awareness campaign organized	During year 2021, 3 Awarness campaigns were organised	Achieved
Output 3.1.6: Informality is reduced	a) No of sectors covered		2 sectors per year	1. Sectoral Reconstruction Plan. 2. Tourism Sector Plan. 3. Continuation of the sector plan in the labor market.	Achieved
	b) Chain transactions starting from large companies investigated		report produced	Monitoring the progress of the registration and evidencing of large taxpayers who had to complete the fiscalization process by 31.12.2021	Achieved
	c) Tax audits and other initiatives used to detect and deter inaccurate reporting and fraud		report produced	Every year the regulation for the submission of financial statements is drafted and at the end the analysis of the submitted financial statements is done	Achieved
Output 3.1.7: Improved tax debt management	b) An accurate database of debt stock is in place				

3.2: FISCAL CADASTER OF PROPERTIES

Output	Performance Indicator	Baseline	Target FY21		Status 2021
Output 3.2.1: Fiscal zone value based property tax on buildings in place and taxation collection operationalised	a) First taxation of buildings commenced		First taxation carried out	6 pilot municipalities will use the Fiscal Cadaster system to collect building tax.	Not achieved
	b) Property Tax Law approval	Basic rules on Law No. 9632, date 30.10.2006 and taxation based on reference price based on Decision No. 132., date 07.03.2018 of the Council of Ministries			
	c) Value zones for buildings determined for all municipalities	Taxation is made bases on reference price	Value zones for buildings determined in all municipalities	The appraisal process is not done yet.	Not achieved
Output 3.2.2: Fiscal cadastre implemented by municipalities	a) Taxpayers are aware of their Property Tax obligations				
	b) Development of e-services				
	c) Register, Appraise and Tax Collection and debt management processes handed over to the municipalities				
	d) Drafting of project proposal for taxation of land				

3.3: CUSTOMS MANAGEMENT					
Output	**Performance Indicator**	**Baseline**	**Target FY21**		**Status 2021**
Output 3.3.1: Enhanced collection of duties by improving policies/procedures and custom processes	a) Regulatory framework is further aligned with the EU acquis	Binding Tariff information is a continuous process actually implemented and upgraded periodically. Other elements mentioned in column "F"to be implemented in 2019			
	b) A single guarantee system is in place	Single Guarantee system is partially in place (only legislation is prepared)	The system implemented	Module of single guarantee implemented	Achieved
	c) A quality management system is developed for laboratory' customs	The quality management system for Custom's Laboratory is in continuous annual development and improvement. Every year the Laboratory obtained new certificates of quality and extends the variety of analysis.	continuous annual development and improvement	continuous annual development and improvement	Achieved
	f) Simplified procedures including the AEO is further implemented	In continuity Customs administrations is facilitating the process for the economic operators to receive the status of AEOs.			
	g) ITMS implemented		ITMS implemented	Contract under impelmetation, partly completed	In progress
	i) NCTS implemented				
Output 3.3.2: Comprehensive risk management system in line with the EU harmonized risk management model developed and maintained	a) A comprehensive risk management system is deployed				
	b) Measures to fight counterfeiting and fraud are developed and implemented	0			
	c) IT system to assist in the fight against money laundering and terrorism is developed and implemented	0	IT System in place Staff trained	Under implementation	In progress

4.1: EXPANDING THE USE OF AGFIS

Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
Output 4.1.1: Direct use of AGFIS by major budget institutions increased	a) A time-bound action plane is in place and implemented for enrolment into AGFIS of the BI	15	5		Not achieved
			180 licenses		Not achieved
			90 staff trained		Not achieved
Output 4.1.2: AGFIS and other government IT systems are integrated	a) Interfaces of AGFIS with the customs management system are in place	AGFIS Interface developed and tested with mutual data			
	b) Payroll executed through AGFIS	0	50 BI	45	In progress
	c) Web portal for supportive document of financial transactions executed in AGFIS and electronic archive is implemented	System technical solution agreed and signed	All BI's access Web Portal	**145**	**In progress**

4.2: MULTI-ANNUAL COMMITMENT CONTROLS AND ACCOUNTS PAYABLE

Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
Output 4.2.1: Recording of commitments, accounts payable, including arrears enforced	a) Compliance with multi-annual commitment controls is monitored (compare financial data from the active contracts to the data entered into the AGFIS)		Report prepared	Report prepared	Achieved
	b) BI compliance with system and legal requirements (commitments and accounts payable (invoices received)) is monitored				
	c) An Arrears Working Group to monitor their development and root cause of arrears is established				
	d) Number of entities audited by IA on arrears	**NA**	**5 BI**	About 62 audit units have reported their findings and recommendat ion on arrears for the	Achieved
	e) Annual monitoring of arrears reported to the PIFC Board		Findings reported to PIFC Board	Findings reported to PIFC Board	Achieved

4.3: DEBT AND CASH MANAGEMENT

Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
Output 4.3.1: An improved liquidity forecasting	a) PEFA 21.2 Cash forecasting and monitoring	B (PEFA 2017)	A	A	Achieved
	b) Forecasting tools				
	c Staff trained	5 BIs pilots+TOD	15	15	Achieved
Output 4.3.2: Annual medium-term debt management strategy with targets published and met	a) Quantitative targets for the debt portfolio composition set annually in advance and met		Annual debt management strategy published before the start of the year	Working for preparing a new Debt Management Strategy which is expected to be completed within June 2022.	Not achieved
	b) Annual program				
Output 4.3.3: Primary and secondary market are deepened	a) Activities in the primary and secondary market	After the pilot project phase for testing the market maker	Further improved the primary market and Increased activity in the secondary markets	Secondary market activity transactions are still very low in number and size.	In progress
	b) Analysis are performed				

4.4: PUBLIC PROCUREMENT

Output	Performance Indicator	Baseline	Target FY21	Fact Value FY21	Status 2021
Output 4.4.1: The public procurement laws are harmonized with the EU directives	a) New PP Law prepared				
	b) Secondary legislation delivered		Secondary legislation delivered	Secondary legislation delivered	Achieved
Output 4.4.2: Public Procurement Commission is providing legal protection for tenderers and public interest at all stages of the public procurement	a) No of staff recruited		4	7	Achieved
	b) E-appeals system		Tendering process and implementation of the new system	electronic e-complaints management system implemented	Achieved
	c) Capacity development plan implemented and specialized training delivered		Specialised training delivered (35 staff)	Specialised training delivered	Achieved
Output 4.4.3: E-procurement system is further enhanced	a) Functional requirements defined				
	b)New functionalities implemented in the EPS				
	c) Operational manual and instructions for the system changes in use		Manuals and instructions prepared	Manuals and instructions prepared	Achieved
Output 4.4.4: Mechanisms to control the availability of funds prior to procurement established	a) Changes within the procurement process implemented				

4.5: MANAGEMENT OF EXTERNAL FUNDS						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**	**Fact FY21**	**Status 2021**
	Output 4.5.1: The EAMIS information on external funds is complete and periodically updated	a) Information on external funds	Historical data until 2016 on external funds	2019 and 2020 data are recorded	Partial data is recorded	In progress
4.6: STRENTHENING STATE AID ROLE						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**	**Fact FY21**	**Status 2021**
	Output 4.6.1: Regulatory framework on State Aid improved.	a) Prime Minister's Order is drafted and approved.	NA			
		b) Prime Minister's Order is implemented.	NA	2 meetings / year	2	Achieved
	Output 4.6.2: A database for monitoring effectively the implementation of state aid schemes is established.	a) State Aid Annual report	National expenditure reports	Presenting State Aid spending	Presenting State Aid spending	Achieved
		b) State Aid Commission decisions	10	>(t-1) (growing trend)	2	In progress
	Output 4.6.3: Awareness campaign on the role and duties of the State Aid Commission are held.	a) Notification of State Aid measures	10	≥ (t-1) (growing trend)	1	In progress

5.1: NATIONAL GOVERNMENT ACCOUNTS

Output	Performance Indicator	Baseline	Target FY21		Status 2021
Output 5.1.1: A sustainable statistical system for the general government units is in place	a) Revision of MOU		MOU revised if necessary		
	b) Automated budgetary government compilation systems developed	The basic structure of the system is being discussed	Automated compilation system developed	Automated compilation system developed	Achieved
	c) Auxiliary systems (extra-budgetary units, debt & interest, linkages with national accounts methodology) are developed	System discussed in general (No implementation yet)	Auxiliary systems are developed	Auxiliary systems are developed	Achieved
	d) COFOG estimations are integrated	No GFS statistics for EUROSTAT by COFOG produced			
	e) Data exchange systems are created (MOFE, INSTAT, & BOA)	Information exchanged on a formal way			
Output 5.1.2: EDP tables are revised and full statistical system created	a) Tables for ESA Transmission Programme are automated and a full statistical system created	No system in Place (local Excel files used)	Tables for ESA Transmission Programme are automated and a full statistical system created	Tables for ESA Transmission Programme are automated and a full statistical system is created	Achieved
	b) 3 new GFS tables are disseminated	No tables available	3 new GFS tables are disseminated to EUROSTAT	Table 2, 9 and 25 produced	Achieved
	c) Timeline for general government units to update the published data is defined	No Dedicated Revision Policy for National Accounts			
	d) Reports based on the newly published data are completed	Difficulties in revision of EDP tables	Reports based on the newly published data prepared	Reports based on the newly published data prepared	Achieved

5.2: FINANCIAL AND PERFORMANCE MONITORING AND REPORTING						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**		
	Output 5.2.1: Published upgraded government yearly budget execution report	a) New template for Annual Budget Execution Report, including KPI that are aligned with the AFMIS and financial information are designed and implemented	ABER new template is designed	ABER template including KPIs is designed	ABER template including KPIs is designed	Achieved
		c) % of staff trained	50% of staff trained			
	Output 5.2.2: Published upgraded in-year budget execution reports, including the mid-year review.	a) New template for in-year Budget Execution Reports, including the monitoring of KPI as defined in the AFMIS are designed and implemented	In-Year new template is designed	New templates of Guideline for budget monitoring annexes, that include KPIs, are designed		**Not achieved**
5.3: CITIZEN'S ENGAGEMENT						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**		**Status 2021**
	Output 5.3.1: A Citizen's Budget guide is developed	a) Citizen's Budget guide is prepared		Guide published	Guide published for 2022 Budget Law	Achieved
	Output 5.3.2: A budget hearing calendar with key budget processes is in place and implemented	a) % of budget hearings held		26	17	Achieved
		b) Training of CSOs for understanding OBL and identify optimal modalities for their involvement are held		number of trained CSO	10	Achieved

5.4: ACCOUNTING						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**		**Status 2021**
	Output 5.4.1: An implementation Plan for the regulatory framework in accordance with IPSAS	a) Country strategic action plan based on GAP analysis in use				
	Output 5.4.2: An improved accounting regulatory framework	a) Legal acts and accounting standards in line with IPSAS and approved country strategic action plan are in place	Current legal framework	Legal acts improved according to plan	Legal acts are drafted	In progress
	Output 5.4.3: Enhanced AGFIS to record accrual accounting data	a) Changes are made to AGFIS to enable accrual recording of data		Assessment prepared	Assessment in progress	In progress
		b) New chart of accounts is developed and used	Current chart of account	New chart of accounts developed	in process (related with the preparation of accounting instructions)	In progress
	Output 5.4.4: Capacity Development plan implemented	a) Capacity development activities delivered/plan		50 trained public accountants	25 public accountants	In progress
		b) Training of Staff		10 staff trained	28 experts (13 of them are from MFE)	Achieved

5.5: IMPROVED ASSETS MANAGEMENT						
	Output	Performance Indicator	Baseline	Target FY21		
	Output 5.5.1: Methodology and guidelines for a full public asset inventory in Central Government (CG) institutions prepared	a) Inventory of assets implemented in all central government units, based on the approved methodology	NA	Inventory of assets implemented according to the implementation plan	In process	In progress
		b) Guidelines for recognition and valuation developed/updated	Current guidelines	Instruction and templete prepared	In process	In progress
		a) Valuation of assets is done				
		d) Depreciation and impairment policies developed (in line with the strategy for implementing accounting standards)	0	Policy developed	in process	In progress
	Output 5.5.2: Full public assets inventory is recorded in AGFIS by those BIs which have direct access in this system.	a) Data migration into AGFIS completed	6	5	No progress made	Not achieved
		b) Number of staff trained on asset management	10	10	No progress made	Not achieved
	Output 5.5.3: Full public assets inventory is recorded in excels (for BI which not have direct access in AFMIS)	a) The number of BI's for which the correct asset balances are recorded into AGFIS General Ledger				

6.1: FINANCIAL MANAGEMENT AND CONTROL IN ALL PUBLIC INSTITUTIONS					
Output	**Performance Indicator**	**Baseline**	**Target FY21**	**Fact Value FY21**	**Status 2021**
Output 6.1.1: Stronger financial management system and internal control environment is in place	a) The PIFC Policy paper action plan approved	The PIFC Policy paper is drafted			
	b) Implementation of the PIFC Policy paper		PIFC Policy paper action plan implementation according to the timeline	PIFC Policy paper action plan implemented according to the timeline	Achieved
	c) Draft guidelines				
	d) Guidelines implemented		Guidelines implemented in selected LM	Guidelines implemented in 5 selected public institutions (1 of them is LM)	Achieved
	e) Revision of the FMC legal framework if needed (integration of strategic planning, medium and annual planning and use of information systems)		Revised FMC legal framework in place	First draft of the revised FMC legal framework is in place	In progress
Output 6.1.2: Functional internal control systems	a) Approval of the methodology of internal quality review	NA			
	b) Quality review of internal control system in public units with the new methodology	NA	20 BI	20 BI	Achieved
	c) Training program approved and staff trained	NA	150 participants	More than 150 participants trained	Achieved

	Output 6.1.3: Strengthened PIFC monitoring system	a) Respective Law amended	Respective Law is not amended	Legal amendments drafted	First draft of legal amendments is in place	Achieved
		b) Evaluation methodology approved				
		c) Revised structure and content of the annual PIFC report				
		d) Creation of database	NA	Database updated	Database updated	Achieved
		e) Reporting of systematic issues		Issues reported	Issues reported	Achieved
6.2: INTERNAL AUDIT						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**	**Fact Value FY21**	**Status 2021**
	Output 6.2.1: Enhanced IA function in all general government units	a) GAP analyses between legal framework and IIAS				
		b) Revision of the legal framework		Legal framework amended	a) First draft of IA in place b) Three IA gudielines updated.	In progress
	Output 6.2.2: Internal audit effectively contribute to improved internal control systems	a) Reporting of FMC findings		Findings reported	Findings reported	Achieved
		b) Reporting of FMC issues to PIFC Board		Issues reported	Issues reported	Achieved

6.3: PUBLIC FINANCIAL INSPECTION						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**	**Fact Value FY21**	**Status 2021**
	Output 6.3.1: Enhanced role of Internal and external financial inspectors	a) Capacity development plans prepared and implemented		TNA prepared	TNA prepared	Achieved
		b) Share of participants to the total of invitee	50%	65%	67%	Achieved
		c) Annual Report is shared with PIFC		Report prepared and shared	Report prepared and shared	Achieved
	Output 6.3.2: A national anti-fraud strategy for the protection of EU' financial interest	The national anti-fraud strategy prepared and implemented	No strategy in place	Draft and aprove national anti-fraud strategy	National anti-fraud strategy is not drafted	Not achieved

7.1: EXTERNAL AUDIT						
	Output	**Performance Indicator**	**Baseline**	**Target FY21**	**Fact 2021**	**Status 2021**
	Output 7.1.1: Independence of auditors is enhanced	a) The ALSAI's Law is amended	The ALSAI's Law is sent for approval to the Parliament	Law amended	Draft Law	In progress
	Output 7.1.2: Audit approaches aligned to international audit standards	a) A risk based annual audit plan is in place	Methodology on preparing the Annual Plan of ALSAI audits based on risk analysis is approved	Annual Plan of ALSAI audits and Audit Engagement Plan for individual audit drafted based on risk analysis	Annual Plan of ALSAI audits and Audit Engagement Plan for individual audit drafted based on risk analysis	Achieved
		b) Methodologies and guidelines for all types of audits are aligned with ISSAIs	Methodologies and guidelines are not updated	Methodologies and guidelines updated	Methodologies and guidelines updated	Achieved
		c) % against plan of auditors trained	On average: 25 training days for junior auditors 10 training days for all audit staff	At least : 25 training days for junior auditors 10 training days for all audit staff	At least : 25 training days for junior auditors 10 training days for all audit staff	Achieved
	Output 7.1.3: Enhanced impact of audit through a better communication with all the stakeholders	a) Action plan of the communication implemented	80% of activities of 2018 Action Plan for the year completed			
		b) Yearly action plan is approved and implemented	Memorandum is signed and Joint Secretariat is established	Yearly action plan approved Yearly action plan implemented	Yearly action plan not approved due to the movement of staff at different menagement level in HSC and MOFE	Not achieved
		c) Periodic Reports are send to the Parliament on following up the implementation of audit recommendations	Annual Report on follow up audit recommendation as part pf the Annual Performance Activity Report of ALSAI for the year 2018	Annual Consolidated Report send to Parliament	Annual Consolidated Report send to Parliament	Achieved